As filed with the Securities and Exchange Commission on December 18, 2000
Registration No.
An Exhibit List can be found on page II-2.

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM SB-2
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

NEVADA	13-3632859
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7825 FAY AVENUE, SUITE 200 LA JOLLA, CALIFORNIA	92037
(Address of Principal Executive Office)	(Zip Code)

FRANKLYN S. BARRY, JR., CHIEF EXECUTIVE OFFICER
AETHLON MEDICAL, INC.
7825 FAY AVENUE, SUITE 200, LA JOLLA, CALIFORNIA, 92037
(Name and address of agent for service)

(858) 456-5777
(Telephone number, including area code, of agent for service)

Copy to:

Bruce H. Haglund, Esq.
Gibson, Haglund & Paulsen
2 Park Plaza, Suite 450, Irvine, California 92614

Approximate date of proposed sale to the public:

As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

Title of securities to be registered	Proposed Amount to be registered	Proposed Maximum offering price per share(1)	Maximum aggregate offering price(3)	Amount of registration fee (3)
<S>	<C>	<C>	<C>	<C>
SHARES OF COMMON STOCK, $.001 PAR VALUE(2)(3)	1,600,000	$3.38	$ 5,408,000	$ 1,427.71
SHARES OF COMMON STOCK, $.001 PAR VALUE(4)	1,600,000	$3.38	$ 5,408,000	$ 1,427.71

TOTAL	3,200,000	$10,816,000	$ 2,855.42

</TABLE>

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended (the "Act"), based on the average of the closing bid and asked prices for the Registrant's Common Stock (the "Common Stock") as reported on the Nasdaq OTC Bulletin Board on December 15, 2000 and, with respect to shares of common stock of the Company issuable upon exercise of outstanding warrants, the higher of (i) such average sales price or (ii) the exercise price of such warrants.

(2) Issuable as Put Shares.

(3) Pursuant to Rules 416 and 457 under the Act, additional shares as may be issuable pursuant to the anti-dilution provisions of the warrants are also being registered.

(4) Issuable upon exercise of Warrants with an exercise price of $3.85 issued to the Finders.

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The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PRELIMINARY PROSPECTUS
Subject To Completion, Dated , 2001

The information in this prospectus is not complete and may be changed.

AETHLON MEDICAL, INC.
7825 Fay Avenue, Suite 200
LaJolla, California 92037
(858) 456-5777

[1] Shares
Common Stock

THE OFFERING

The resale of up to [3,200,000] shares of Common Stock on the Nasdaq Over-the-Counter Bulletin Board at the prevailing market price or in negotiated transactions.

- Up to 1,600,000 shares are issuable as Put Shares to certain selling shareholders identified in this Prospectus (the "Selling Shareholders");

- Up to 1,600,000 shares are issuable upon the exercise of Purchase Warrants issuable to certain finders identified in this Prospectus (the "Finders").

We will receive no proceeds from the sale of the shares by the Selling Shareholders or the Finders. However, we may receive proceeds from the sale of Put Notes to the Selling Shareholders and, if the Purchase Warrants are exercised, we will receive proceeds from the sale of shares issuable upon the exercise of the Purchase Warrants by the Selling Shareholders or the Finders.

TRADING SYMBOL:
AEMD (Nasdaq Over-the-Counter Bulletin Board)

THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK.
See "Risk Factors" beginning on page 2.

THE SECURITIES AND EXCHANGE COMMISSION (SEC) AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES, AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THIS PROSPECTUS IS INCLUDED IN THE REGISTRATION STATEMENT THAT WAS FILED BY AETHLON MEDICAL, INC., WITH THE SECURITIES AND EXCHANGE COMMISSION. THE SELLING SHAREHOLDERS MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT BECOMES EFFECTIVE.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY HIGHLIGHTS SELECTED INFORMATION CONTAINED IN THIS PROSPECTUS. THIS SUMMARY DOES NOT CONTAIN ALL THE INFORMATION YOU SHOULD CONSIDER BEFORE INVESTING IN THE SECURITIES. BEFORE MAKING AN INVESTMENT DECISION, YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY, INCLUDING THE "RISK FACTORS" SECTION, THE FINANCIAL STATEMENTS AND THE NOTES TO THE FINANCIAL STATEMENTS. SOME OF THE STATEMENTS MADE IN THIS PROSPECTUS DISCUSS FUTURE EVENTS AND DEVELOPMENTS, INCLUDING OUR FUTURE BUSINESS STRATEGY AND OUR ABILITY TO GENERATE REVENUE, INCOME AND CASH FLOW. THESE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN THESE FORWARD-LOOKING STATEMENTS.

Our Company

Aethlon Medical, Inc. ("AEMD") is a developer and marketer of extracorporeal medical device technologies. We have applied our proprietary platform technology known as the Hemopurifier(TM) to develop an extracorporeal therapeutic treatment for HIV-AIDS. Pre-clinical trials have documented the rapid removal of up to 70% of the HIV virus during one 60-minute application. We intend to build our business in three ways:

- Commercialize the Hemopurifier line of extracorporeal blood filtration devices upon completion of clinical trials with priority on the device for the removal of viruses from the blood;

- Develop and exploit new applications of the Hemopurifier platform technology, such as the virus-removal therapy; and

- Continue the strategy of acquiring related medical device technologies that can be developed and commercialized on an international basis.

We are the parent company of Hemex, Inc. and Aethlon Laboratories, Inc., our wholly-owned subsidiaries. We also intend to acquire additional businesses and technologies that complement our products under development.

The Offering

Common Stock Offered for Resale	[3,200,000] shares
Use of Proceeds	We will not receive proceeds from the resale of the Common Stock described in this Prospectus. However, we will receive proceeds from the initial placement of Put Notes and Warrants with the Selling Shareholders.
Nasdaq OTC Bulletin Board Symbol	AEMD

RISK FACTORS

An investment in shares of our common stock is very risky. You should carefully consider the following factors as well as the other information contained and incorporated by reference in this prospectus before deciding to invest.

LIMITED OPERATING HISTORY; LACK OF OPERATING REVENUE; EARLY STAGE OF DEVELOPMENT. AEMD was originally founded in April 1991 as Bishop Equities, Inc. for the purpose of providing a public vehicle for acquisition of a private company. Our acquisition of Aethlon, Inc. and Hemex, Inc. in March 1999 was the first of a series of acquisitions that formed the entity operating known as Aethlon Medical, Inc. today. We have a limited operating history on which to base an evaluation of our business and prospects. From our formation through September 30, 2000, we have received and earned revenues, including grant income, aggregating approximately $1,600,000. Our prospects must be considered in light of the risks and uncertainties encountered by companies in the early stages of development. Potential investors should be aware of the problems, delays, expenses and difficulties usually encountered by an enterprise in the Company's stage of development, many of which may be beyond our control. These include unanticipated problems relating to product development, testing, initial and continuing regulatory compliance, manufacturing costs, production and

assembly, the competitive and regulatory environment in which we plan to operate, marketing problems and additional costs and expenses that may exceed current estimates.

HISTORY OF LOSSES AND ANTICIPATED FUTURE LOSSES. Since the formation of our business, we have incurred substantial net losses. As of September 30, 2000, our accumulated deficit was approximately $6,087,000. As we continue to implement our growth strategy, we intend to spend significant amounts on research and development, sales and marketing, and general and administrative activities. We expect to incur these costs in advance of anticipated revenues, which may further increase our operating losses in some periods. As a result of our expansion, we may continue to incur significant operating losses and negative cash flows from operations for the next few years. It is possible that we may never achieve favorable operating results or profitability.

SIGNIFICANT ADDITIONAL FINANCING NEEDS. We require substantial working capital to fund our business. Since our inception, we have experienced negative cash flow from operations, and we expect to experience significant negative cash flow from operations for the near future. In November 2000, we entered into a Subscription Agreement and raised $375,000 from the sale of a Convertible Note. Under the terms of the Subscription Agreement, we were granted the right to borrow additional funds under the terms of Put Notes. The Put Notes allow us to raise up to an additional $4,625,000 in convertible debt during the two years following the date of this Prospectus. Depending on the amount and timing of additional capital, if any, raised through the issuance of Put Notes, we may need to raise additional capital through other

sources within the next few months. We currently anticipate that a private placement of our common stock for up to $10 million will be undertaken early in 2001. The net proceeds of this stock offering are expected to be sufficient to meet anticipated needs for working capital and capital expenditures for the next three years. If we raise additional funds through the issuance of equity, our existing shareholders will be diluted in terms of their percentage ownership of the Company. If we are unable to raise additional funds when necessary, we may have to reduce planned capital expenditures, scale back our development of new products, sales or other operations, enter into financing arrangements on terms that we would not otherwise accept, sell some or all of the Company's assets, or we may have to cease operations.

SUBSTANTIAL LIABILITIES; LIMITATIONS ON THE USE OF PROCEEDS FROM THE SALE OF THE NOTES AND THE PUT NOTES. As disclosed in our 10-QSB filing at September 30, 2000, our total liabilities were in excess of $2,800,000. These liabilities include notes payable, trade debt (including debt owed to related parties), accrued liabilities, and deferred compensation. However, we may not use the proceeds from the sale of the Notes and the Put Notes to repay notes payable or non-trade obligations.

THE COMPANY MAY NOT RECEIVE REGULATORY APPROVAL FOR FUTURE PRODUCTS AND THEREFORE MAY NOT BE ABLE TO SELL THOSE PRODUCTS FOR CLINICAL PURPOSES IN THE UNITED STATES OR ABROAD. We plan to develop multiple products utilizing extracorporeal treatment with broad applications in the future. In order to be able to market all of these products, we will be required to obtain approval of the Federal Drug Administration ("FDA") and of similar foreign authorities through approval procedures similar to, and in addition to, those already completed by us for the DFO Hemopurifier. Our failure to obtain necessary approvals to market future products in one or more significant markets could cause material harm to our business, financial condition, and results of operation.

DIFFICULTY IN FORECASTING REVENUES AND EXPENSES. Due to our limited operating history, we cannot predict our future revenues or results of operations accurately. We base our current and future expense levels on our current and anticipated fixed expenses, our operating plans, and our estimates of future revenues. Operating results are difficult to forecast because they depend in large part on product completion and FDA approval processes. As a result, we may be unable to adjust our spending in a timely manner to compensate for any unexpected revenue shortfall. This inability could materially harm our business and ability to operate.

THE COMPANY'S BUSINESS IS, AND IN THE FUTURE MAY BECOME, SUBJECT TO ADDITIONAL REGULATIONS AND IF UNABLE TO COMPLY WITH THEM MAY BE MATERIALLY HARMED. We are subject to various other federal, state, and international laws. The target industries for our extracorporeal products are strictly regulated by the FDA, and participants in these markets must comply with all regulations and standards set forth by the FDA. We are unable to predict the extent of future government regulations or industry standards. New regulations may result in increased costs and inhibit our ability to market our products. As a result, our business, financial condition, and results of operation could be materially harmed.

INTENSE COMPETITION. The market for medical devices is intensely

competitive. Many of our potential competitors have longer operating histories, greater name recognition, more employees, and significantly greater financial, technical, marketing, public relations, and distribution resources than we have. This intense competitive environment may require us to make changes in our products, pricing, licensing, services or marketing to maintain and extend our current brand and technology franchise. Price concessions or the emergence of other pricing or distribution strategies of competitors may diminish our

revenues, adversely impact our margins or lead to a reduction in our market share, any of which may harm our business.

TECHNOLOGICAL OBSOLESCENCE. Our products may be made unmarketable by new scientific or technological developments where new treatment modalities are introduced that are more efficacious or more economical that our planned extracorporeal therapies.

FAILURE TO MANAGE GROWTH. We have considerably expanded our operations since the acquisition of Hemex, Inc. and Aethlon, Inc. in March 1999. Continued expansion of our business may place increasing strains on our ability to manage our growth, including our ability to monitor operations, bill customers, control costs and maintain effective quality controls. If our financing efforts are successful, we plan to significantly expand our research and development activities, expand our sales and marketing, hire additional employees, and expand our internal information, accounting and billing systems. To successfully manage our growth, we must identify, attract, motivate, train, and retain highly skilled managerial, financial, engineering, business development, sales and marketing, and other personnel. Competition for this type of personnel is intense. If we fail to manage our growth effectively, we could materially harm our business.

LIMITED MARKETING CAPABILITIES; UNCERTAINTY OF MARKET ACCEPTANCE. Because of the sophisticated nature and early stage of development of our products, we will be required to educate potential customers and successfully demonstrate that the merits of our products justify the costs associated with such products. In certain cases, however, we will likely encounter resistance from customers reluctant to make the modifications necessary to incorporate our products into their processes. In some instances, we will be required to rely on distributors or other strategic partners to market our products. The success of any such relationship will depend in part on the other party's own competitive, marketing, and strategic considerations, including the relative advantages of alternative products being developed and/or marketed by any such party. There can be no assurance that we will be able to market our products properly and generate meaningful product sales.

LOSS OF KEY PERSONNEL. Given the early stage of our development, we depend on the performance and efforts of our senior management team and other key employees. If we lost the service of any members of our senior management or other key employees, that loss could materially harm our business.

MISAPPROPRIATION OF INTELLECTUAL PROPERTY. Our success depends on our internally developed technologies and other intellectual property. We regard our technology as proprietary and we attempt to protect it with patents, copyrights, trade secret laws, and confidentiality and nondisclosure agreements. Despite these precautions, it may be possible for a third party to obtain and use our services or technology without authorization. Third parties also may develop similar technology independently. We have applied for a number of United States and foreign patents and have already been issued five U.S. and international patents. Some or all of these patents may not sufficiently protect our technology. If any patents are not issued or if they fail to provide protection for its technology, it may make it easier for our competitors to offer technology equivalent or superior to ours. Moreover, we have applied for registration of a number of key trademarks and service marks, and we intend to introduce new trademarks and service marks. We may not be successful in obtaining registration for one or more of these trademarks.

We may need to resort to litigation in the future to enforce or to protect our intellectual property rights, including our patent and trademark rights. In addition, our technologies and trademarks may be

claimed to conflict with or infringe upon the patent, trademark or other proprietary rights of third parties. If this occurred, we would have to defend against challenges to our patents, which could result in substantial costs and the diversion of resources. We also may have to obtain a license to use those proprietary rights or possibly cease using those rights altogether. Any of these events could materially harm our business.

THE COMPANY MAY BE SUBJECT TO RISKS ASSOCIATED WITH ITS PRODUCTS INCLUDING PRODUCT LIABILITY OR PATENT AND TRADEMARK INFRINGEMENT CLAIMS. Our current and future products may contain defects which could subject us to

product liability claims. Although we will maintain limited product liability insurance, if any successful products liability claim is not covered by or exceeds our insurance, our business, results of operations, and financial condition would be harmed. Additionally, third parties may assert claims against us alleging infringement, misappropriation or other violations of patent, trademark or other proprietary rights, whether or not such claims have merit. Such claims can be time consuming and expensive to defend and could require the Company to cease using and selling the allegedly infringing products and to incur significant litigation costs and related expenses.

THE COMPANY'S COMMON STOCK HAS LIMITED LIQUIDITY. At the present time, the Common Stock of the Company is not listed on The Nasdaq Stock Market, Inc. or on any national exchange. Although dealer prices for our Common Stock are listed on the Nasdaq OTC Bulletin Board, trading has been limited since such quotations first appeared in March 1993. We intend to apply to have our Common Stock approved for listing on the Nasdaq SmallCap Market or the American Stock Exchange in 2001. We cannot assure investors that we will be able to secure either of such listings, or, if received, that we will meet the requirements for continued listing on the Nasdaq SmallCap Market or the American Stock Exchange. Under Nasdaq rules, in order to maintain a listing on the Nasdaq SmallCap Market, a company must have, among other things, either $4,000,000 in net tangible assets, a market capitalization of $50,000,000 or more, or $750,000 net income in its last fiscal year or two of its last three fiscal years. In addition, the listed security must have a minimum bid price of $3.00 per share. Further, NASDAQ has the right to withdraw or terminate a listing on the Nasdaq SmallCap Market at any time and for any reason at its discretion. If the Company were unable to obtain or to maintain listing on the Nasdaq SmallCap Market quotations, any "bid" and "asked" prices of the Common Stock would be quoted in the "pink sheets" published by the National Quotation Bureau, Inc. or on the Nasdaq OTC Electronic Bulletin Board where shares of its Common Stock have been quoted prior to the date of this Prospectus. In such event, an investor could find it more difficult to dispose of or to obtain accurate quotations of prices for the shares of Aethlon Medical Common Stock than would be the case if the shares of the Company's Common Stock were quoted on the NASDAQ SmallCap Market or on the American Stock Exchange. Irrespective of whether or not shares of the Company's Common Stock are included in the Nasdaq system or on the American Stock Exchange, no assurance can be made to investors that the public market for shares of its Common Stock will become more active or liquid in the future. In that regard, prospective purchasers of the Common Stock should consider that this Offering is being made without underwriting arrangements typically found in an initial public offering of securities. Such arrangements generally provide for the issuer of the securities to sell the securities to an underwriter which, in turn, sells the securities to its customers and other members of the public at a fixed offering price, with the result that the underwriter has a continuing interest in the market for such securities following the Offering.

SMALL "FLOAT" AND POSSIBLE VOLATILITY OF STOCK PRICE. Broad fluctuations in the stock markets can, obviously, adversely affect the market price of our Common Stock. In addition, failure to meet or exceed analysts' expectations of financial performance may result in immediate and significant price and volume fluctuations in the trading of our Common Stock. Without a significantly larger number of shares

available for trading by the public, or public "float," our Common Stock will be less liquid than stocks with broader public ownership, and as a result, trading prices of our Common Stock may significantly fluctuate and certain institutional investors may be unwilling to invest in such a thinly traded security

LACK OF DIVIDENDS ON COMMON STOCK. We have never paid any cash dividends on our Common Stock, and we do not anticipate paying dividends in the near future.

THE ISSUANCE OF ADDITIONAL SHARES OF COMMON STOCK UPON CONVERSION OF CONVERTIBLE AND PUT NOTES MAY CAUSE SIGNIFICANT DILUTION OF EXISTING SHAREHOLDERS' INTERESTS AND EXERT DOWNWARD PRESSURE ON THE PRICE OF OUR COMMON STOCK. Significant dilution of existing shareholders' interests may occur if we issue additional shares of common stock underlying outstanding or subsequently issued Notes, Put Notes, and Warrants. As of November 30, 2000, we had $375,000 principal amount of Convertible Notes outstanding. We may issue additional Put Notes. The number of shares of Common Stock issuable upon conversion of the Convertible Notes and Put Notes (the "Notes") may constitute a significant percentage of the total outstanding shares of our Common Stock, as such conversion is based on a formula pegged to the market price of the Common Stock.

The formula provides, specifically, that the number of shares of Common Stock issuable upon the conversion of the Notes shall be the lower of (i) 90% of the closing price for the Common Stock on the principal market or exchange where the Common Stock is listed or traded for the last trading day immediately prior to but not including the issue date of the Notes; or (ii) 75% of the average of the three lowest closing bid prices for the Common Stock on the principal market or exchange where the Common Stock is listed or traded, for the 10 trading days

prior to but not including the date of conversion. Therefore, there is a possibility that the Notes may convert to Common Stock at a rate that may be below the prevailing market price of the Common Stock at the time of conversion.

The exact number of shares of common stock into which the Notes may ultimately be convertible will vary over time as the result of ongoing changes in the trading price of our Common stock. Decreases in the trading price of our common stock would result in increases in the number of shares of Common Stock issuable upon conversion of the Notes. The following consequences could result:

- If the market price of our Common Stock declines, thereby proportionately increasing the number of shares of Common Stock issuable upon conversion of the Notes, an increasing downward pressure on the market price of the Common Stock might result (sometimes referred to as a downward "spiral" effect).

- The dilution caused by conversion of Notes and sale of the underlying shares could also cause downward pressure on the market price of the Common Stock.

- Once downward pressure is placed on the market price of the Company's stock, the pressure could encourage short sales by holders of Notes and others, thus placing further downward pressure in the price of the Common Stock.

- The conversion of Notes would dilute the book value and earnings per share of Common Stock held by our existing shareholders.

USE OF PROCEEDS

We expect to sell to the Selling Shareholders, subject to effective registration and applicable trading volume, and other limitations, up to $4,625,000 of Put Notes that are convertible into Common Stock. Additional amounts may be received if the warrants to purchase Common Stock issued in connection with the placement of the Put Notes are exercised. Net proceeds are determined after deducting all expenses of the offering (estimated to be $425,000).

We intend, in the following order of priority, to use the net proceeds from this offering (excluding proceeds from warrant exercises), if any, as follows:

Product Development Activities (with principal focus on HIV/AIDS device)	$ 720,000
FDA Clinical Trials	2,078,400
Business Development Activities (including corporate communications, SEC registration of common stock, and other corporate activities)	1,000,000
Debt Service (including interest on outstanding notes, but excluding repayment of principal in the maximum amount of $35,000)	401,600
Total Proceeds	$4,200,000

PRICE RANGE OF COMMON STOCK

LIMITED PUBLIC MARKET FOR SHARES OF COMMON STOCK

The Company's Common Stock is traded on the Nasdaq Over-the-Counter Bulletin Board ("OTCBB"). The Company's trading symbol is "AEMD." The Company's Common Stock has had a limited trading history, and trading has been limited and sporadic.

The following table sets forth for the period indicated the high and low bid quotations for the Common Stock as reported by the OTCBB. The prices represent quotations between dealers, without adjustment for retail markup, mark down or commission, and do not necessarily represent actual transactions.

2000	HIGH BID	LOW BID
4th Quarter	$4.6875	$2.875
3rd Quarter	$6.50	$1.50
2nd Quarter	$7.00	$2.25
1st Quarter	$8.00	$4.00

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	1999	
<S>	<C>	<C>
4th Quarter	$8.75	$7.03
3rd Quarter	$8.75	$7.00
2nd Quarter	$8.50	$7.75
1st Quarter	$8.50	$8.00

</TABLE>

There are approximately 100 record holders of the Company's Common Stock.

DIVIDEND POLICY

We have never declared or paid cash dividends on our common stock. We currently anticipate that we will retain all future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

THE FOLLOWING PLAN OF OPERATION SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND THE RELATED NOTES. THIS DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS BASED UPON CURRENT EXPECTATIONS THAT INVOLVE RISKS AND UNCERTAINTIES, SUCH AS OUR PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS. OUR ACTUAL RESULTS AND THE TIMING OF CERTAIN EVENTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF CERTAIN FACTORS, INCLUDING THOSE SET FORTH UNDER "RISK FACTORS," "BUSINESS" AND ELSEWHERE IN THIS PROSPECTUS. SEE "RISK FACTORS."

PLAN OF OPERATION

The following discussion and analysis should be read in conjunction with the Financial Statements and Notes thereto appearing elsewhere in this report.

The Company is in the initial stages of its operations and has not yet engaged in significant commercial activities. During the fiscal year 2001, the Company plans to continue its research and development activities relating to the Hemopurifier, and commence clinical trials for the device to remove iron from the blood. See "Business."

The implementation of our business plan is dependent upon our ability to raise equity capital. During the fiscal year ended March 31, 2000, we financed our research and development activities through the private placement of approximately $1,000,000 principal amount of 12-month notes bearing interest at 12% per annum. We entered into an agreement in November 2000 providing for the issuance of $375,000 in Convertible Notes and allowing us to borrow up to $4,625,000 in Put Notes that are issuable during the two-year period following the date of this Prospectus. The Company has entered into an agreement with an investment banking firm under which the firm will use its best efforts to sell $10 million of the Company's Common Stock in a private placement anticipated to commence in the first calendar quarter of 2001. The Company believes that the successful completion of the stock offering will satisfy the Company's anticipated capital requirements related to the development of its business for three years; however, additional financing may be required in the case of further acquisitions or to successfully develop other technologies. At the present time, the Company has no plans to purchase significant amounts of

equipment or hire significant numbers of additional employees prior to the successful completion of the private placement of its Common Stock.

BUSINESS

OVERVIEW

On March 10, 1999, the Company executed an Agreement and Plan of Reorganization for the Acquisition of All of the Outstanding Stock (the "Aethlon Agreement") of Aethlon, Inc., a California corporation ("Aethlon"). Pursuant to the Aethlon Agreement, Aethlon became a wholly-owned subsidiary of the Company.

Also on March 10, 1999, the Company executed an Agreement and Plan of Reorganization for the Acquisition of All of the Outstanding Stock (the "Hemex Agreement") of Hemex, Inc., a Delaware corporation ("Hemex"). Pursuant to the Hemex Agreement, Hemex became a wholly-owned subsidiary of the Company.

In connection with these acquisitions, the Company issued 2,083,500 shares of the Company's Common Stock to the former shareholders of Aethlon and Hemex.

Effective January 1, 2000, the Company entered into an agreement under which an invention and related patent rights for a method of removing HIV and other viruses from the blood using the Hemex Hemopurifier were assigned to the Company. In addition to certain royalty payments to be made on future sales of the patented product, the consideration for the acquired rights included the issuance of 25,000 shares of the Company's common stock to the inventors.

On January 10, 2000, the Company acquired from Richard H. Tullis, PhD, all the outstanding common stock of Syngen Research, Inc. in exchange for 65,000 shares of the Company's common stock. Syngen Research, Inc. (dba Aethlon Laboratories, Inc.) became a wholly-owned subsidiary of the Company and will engage in the development of the virus-removing device under the direction of Dr. Tullis.

On April 6, 2000, the Company acquired all the outstanding common stock of Cell Activation, Inc. (Cell) in exchange for 99,152 shares of common stock of the Company. In addition, all the outstanding stock opitions of Cell were exchanged for options to purchase 50,848 shares of common stock of the Company at $.3933 per share. Following the transaction Cell became a wholly-owned subsidiary of the Company and will operate as part of Aethlon Laboratories Inc.

In developing this business, AEMD will act as a parent company to wholly-owned subsidiaries such as Hemex, Inc. and Aethlon Laboratories, Inc. It also intends to pursue the acquisition of additional businesses and technologies that complement those under development.

HEMEX

Hemex, Inc. was the first acquisition completed by Aethlon Medical, Inc. It operates as a wholly owned subsidiary of AEMD, with its own staff, facilities, and subsidiary business plan. AEMD will provide general management to Hemex, as well as financial and legal services, and will be responsible for funding the operations of Hemex.

The first product developed by Hemex is the DFO Hemopurifier-TM- device for the removal of iron and aluminum. This device has been proven safe in hemodialysis patients in an FDA-approved Feasibility Trial, and will be the subject of an application to the FDA for a Humanitarian Device Exemption in early 2001 leading to potential commercialization in fiscal year 2002.

Devices for removing lead and cisplatin, a chemotherapeutic agent, are in final laboratory research, with few questions remaining before their clinical trials can begin. Based on results from animal testing, Hemex researchers are confident that each device will prove clinically safe and effective. The lead-removing device is used to treat lead intoxication in adults, children, and industrial workers, and the cisplatin-removing device is applied after cisplatin has passed through the target tumor, sparing the normal cells of the cancer patient from its toxic side-effects.

In addition to these metal-removing applications, Hemex acquired, effective January 1, 2000, the rights to a novel process (patent pending) for removing targeted viruses from the blood using the Hemopurifier platform and DNA/antibody technology. This device will be developed at Aethlon Laboratories. See below for a more detailed discussion of this product.

Other areas of current research interest are the removal of various antigens, addictive narcotics, and other heavy metals in both civilian and military environments.

THE HEMOPURIFIER-TM- DEVICE. The Hemopurifier device is a novel hollow-fiber cartridge containing an immobilized antidote for removing toxic material from the blood. The device is used in extracorporeal circulation systems that are similar to those used in hemodialysis or any one of the simpler apheresis systems used today.

The Hemopurifier device is a long cylindrical cartridge containing a bundle of approximately 10,000 hollow fibers and an antidote or attractor compound. The antidote, which is present in a proprietary form within the fibers, has a strong and specific affinity to remove a targeted toxin from the blood. When the patient's blood flows through the lumen of each of the fibers, molecules of a certain size can travel through the pores of the fiber membrane and come in contact with the attractor compound. The toxic material is captured by the compound, and other small molecules return through the same pores to the lumen. The cartridge itself is a dialyzer encasement with minor modifications:

The clinical advantages offered by the Hemopurifier device over present treatments are:

- - Toxic material can be selectively removed WITHOUT SIDE EFFECTS, since no substance enters the body. Toxicity of the antidote is eliminated, because it is immobilized in the device rather than injected into the patient.

- - Antidotes of GREATER STRENGTH AND EFFECTIVENESS, which were previously used sparingly because of their toxicity, can be used in this device without regard for the side effects which would occur if the same substance were in the bloodstream.

- - The device is HIGHLY EFFICIENT. The structure of the Hemopurifier device provides a large surface area for immobilization of a relatively large quantity of antidote, allowing exposure to a large volume of blood in a short period of time.

- - The device is SAFE:

  - In a closed system, the amount of blood retained by the Hemopurifier device is small. No replacement fluid is needed, and no blood transfusions are required. As a result, the risks of

volume expansion, blood pressure changes, infections and blood incompatibility (inherent in blood transfusions) are eliminated.

  - Only the targeted toxic materials are removed. All other blood components remain in the circulation.

- - The device uses well-established extracorporeal applications, especially hemodialysis, as well as apheresis or other types of transfusion procedures. These methods are widely used and available in hospitals and clinics.

AEMD believes that the Hemopurifier device represents a true breakthrough in the potential treatment of certain conditions ranging from acute poisoning to chronic and life-threatening illnesses. It is novel because the immobilized antidote in the Hemopurifier device binds the toxic material, thus extracting it safely from the body. Harmful agents in the blood can be removed efficiently and without side effects, reducing treatment times. The results of these advantages are improved patient management and cost reduction for health care providers.

Hemex' first series of products has been developed for the extracorporeal removal of the following harmful metals from the blood: iron, lead, and cisplatin. The combined potential markets for these initial products is approximately $900 million per year in the United States, and $2.6 billion worldwide. These projections have been developed from an analysis of the targeted patient population for each metal intoxication, as reported in medical journals and government publications.

IRON. The first product to be introduced by Hemex will be the DFO Hemopurifier. With the chelator desferrioxamine (DFO) immobilized in the Hemopurifier, the therapist can remove excess iron from the blood in a completely safe and efficient manner. Among the target markets for this device are:

- HEREDITARY HEMACHROMATOSIS. This inherited life-threatening disorder is one of the most under-diagnosed, yet common, conditions in North America. 1.2 million Americans suffer from this genetic condition which causes iron overload, which can lead to organ damage and a number of serious medical manifestations.

  Current treatment of choice is periodic phlebotomy, usually weekly, with greater frequency for urgently symptomatic patients. Phlebotomy removes whole blood, including excess iron. The Hemopurifier treatment can be used in those cases where phlebotomy is not possible.

- ACQUIRED IRON OVERLOAD. Iron overload is an unavoidable complication of life-sustaining chronic blood transfusions. Patients with Cooley's Anemia, Sickle Cell Disease, and other such conditions can acquire iron overload leading to organ damage and other difficulties. Also, in the process of 15,000 to 20,000 organ transplants per year, iron overload is a major concern to transplant surgeons.

  Current treatment of this patient population involves the administration of various chelators, including DFO, directly into the body. The toxic side-effects and inefficient rate of iron removal are in contrast to the completely safe and effective Hemopurifier treatment.

CISPLATIN. Cisplatin, and other closely-related platinum derivatives, are among the most effective chemotherapeutic agents for the treatment of certain types of cancer. Direct infusion of cisplatin is typically followed by severe nausea and vomiting. Cisplatin may deposit in the sensory nerves, resulting in incapacitating levels of pain that can last for years after treatment has been discontinued. The prescribed dosage of cisplatin, therefore, is often limited by its toxicity.

The Hemopurifier device for the removal of cisplatin can be applied to the vein draining the tumor, or to any major vein in systemic treatment, either during or immediately after cisplatin administration. With no other known means of removing cisplatin from the body (painkillers and medications can only mitigate the side effects), this procedure is especially promising and unique. Animal tests have demonstrated the effectiveness of this approach.

With the Hemopurifier device, the oncologist can administer substantially higher doses of cisplatin, thereby increasing its effectiveness as a chemotherapeutic agent. The patient will receive more effective treatment while enjoying a better quality of life during and after treatment. Hemex estimates that there are annually over 265,700 new cancer patients who could be treated with cisplatin.

LEAD. The market for the removal of lead from the blood has three principal segments, all of which are substantial in numbers as well as in need for improved treatment modalities.

- YOUNG CHILDREN. Among children aged 1 to 5 years, it is estimated that 890,000 have some level of lead toxicity. Direct chelation therapy is used very cautiously in children, depending on the individual level of lead burden. When used, the most frequently prescribed chelation agent, EDTA, is given by infusion over consecutive days. This process is repeated 2 or 3 times, with long rests between treatments. The child passes the lead/chelator complex, but is at risk for side-effects serious enough to require that the treatments be given in a hospital setting.

The Hemopurifier treatment is safe, with no toxic substance entering the child's body to create nasty side-effects. It is also more effective, as demonstrated by extensive animal studies conducted by Hemex. In addition, the Hemopurifier treatment causes lead residing in the tissue and bone to migrate to the blood, where it can be removed by this extracorporeal process. This phenomenon is the subject of a provisional patent applied for in May 1999, and a full patent filed in April 2000.

- PREGNANT WOMEN. The Public Health Service estimates that there are 23,000 pregnant women in the U.S. with high blood lead levels, clearly creating a danger to their fetuses. Sadly, these

mothers cannot be treated by current chelation therapies because of the toxicity of EDTA and other chelators to the fetus.

Because of the safety of the Hemopurifier, this extracorporeal method can be used by pregnant women to reduce their blood lead levels with no risk to mother or the fetus.

- INDUSTRIAL WORKERS. It is estimated by OSHA that nearly 600,000 workers are directly exposed to lead in the workplace, and that one third have elevated blood levels. Since chelation therapy is rarely used in the workplace because of its side-effects, workers are normally sent home or reassigned until their blood lead levels return to acceptable levels. In addition to the "down time" involved, the prospect of long-term illness and cognitive damage makes lead overload an expensive issue for certain employers.

Lead poisoning is also receiving attention form the legal community, and is considered by some the next major target for class action suits. This further increases the need to find an effective and safe therapy for lead overload.

Beyond these initial applications of the Hemex platform technology, additional medical products will be developed for a variety of applications. In addition to the virus-removing device discussed in below, future research will address treatment of overdose of cardioactive and psychoactive drugs, improving patient management in conditions with circulating harmful antibodies or antigen-antibody complexes (e.g. in various types of cancer, diabetes, hemophilia); and treating genetic enzyme deficiency diseases. The Department of Energy has shown an interest in Hemex technology for various battlefield and civilian detoxification applications in the U.S. and abroad.

PATENTS. The following patents have been issued to Dr. Ambrus and her collaborators, with U.S. patents subsequently assigned to Hemex. Foreign patent assignments are in process:

- - Removing Metal Ions From the Blood

USA:	No. 4,612,122	Issued September 16, 1986
Europe:	No. 0,073,888	Issued April 23, 1986
Japan:	No: 110,047/82	Issued June 7, 1994

- - Blood Purification

USA:	No. 4,714,556	Issued December 22, 1987
USA:	No. 4,787,974	Issued November 29, 1988

- - Immobilization of a Chelator on Silica

USA:	No. 6,071,412	Issued June 6, 2000

Additional patents claiming a method for removing heavy metal from bone (Patent filed April 27, 2000), and a method for removing toxins from blood (Provisional Application filed June 26, 2000), are at the US PTO.

MARKETING. The fundamental AEMD marketing goal is to make the Hemopurifier(TM) device the preferred treatment in the U.S. for each of the conditions for which the device is designed, and to then expand use of the device into international markets. Because the Hemopurifier will be sold into many different medical markets, a single detailed marketing plan is not possible.

There are over 25,000 installed hemodialysis stations in hospital and free-standing dialysis clinics in the United States. With a trend to peritonal dialysis, performed in the home rather than in a clinic, the utilization of these dialysis stations is likely to diminish. The operators of dialysis clinics should welcome additional opportunities to use their assets, including the on-site staffs, for new medical applications.

The Hemopurifier devices for the removal of iron overload and for the removal of lead are ideally suited to use in a hemodialysis setting. They use a modified dialysis cartridge which is compatible with existing equipment, and require repeat patient visits. And, unlike cartridges used in dialysis, the devices are for a single use, increasing revenue potential per visit. The Company believes that this model is compelling from both patient management and economic viewpoints.

Hemex will use multi-faceted sales and marketing strategies for penetrating the U.S. market. Sales and promotional efforts will be directed to three target audiences: the distributor, the prescribing physician or medical facility, and the patient.

- Distributors. Hemex will employ area marketing managers, who will act as missionary salesmen in working with distributors' sales forces. In areas of lower population density, Hemex will use independent, commissioned sales representatives who work with a small number of closely aligned products.

- Physicians and Medical Facilities. Area marketing managers will visit physicians and hospital/medical practice administrators, often with distributor salesmen who have strong pre-established relationships with these buyers. In addition, physicians will learn of the Hemopurifier device at medical society meetings, and through medical journals. Members of the Scientific Advisory Board will continue to write medical papers for publication in specific medical journals, and give presentations and posters in the appropriate medical meetings. Marketing management will attend medical meetings to set up booths and distribute literature.

- Patients. As consumers take a greater interest in their own health in today's environment, it will be important to build awareness of the potential of the Hemopurifier among each patient population. Hemex will work with professional public relations advisors to promote the Hemopurifier in newspapers and general interest magazines, as well as in targeted patient-oriented publications. Talk shows and medical programming on radio and television are hungry for truly newsworthy health-related developments like the Hemopurifier. Of particular interest to the general public may be the Hemopurifier device for lead, as it applies to children and to industrial lead poisoning.

Hemex will form strategic alliances with a small number of significant distributors of those medical products which are sold to Hemex target buyers. The criteria for strategic partners are: (1) they offer a knowledgeable sales force with strong relations with the dialysis clinics and other medical facilities Hemex seeks to penetrate, and (2) they have the financial and physical capacity to manage inventory and order processing well.

For the DFO Hemopurifier device, potential partners include suppliers to the dialysis industry and large hospital supply companies. With potential to add exciting new, higher priced products with good profit margins, Hemex products will be attractive to these major firms. The use of aggressive area marketing managers will ensure that Hemex receives more than its fair "share of mind" of distributor sales people.

AETHLON LABORATORIES. Aethlon Laboratories, Inc. will, like Hemex, operate as a wholly-owned subsidiary of Aethlon Medical, Inc., with its own staff, facilities, and subsidiary business plan. AEMD will provide general management, as well as financial and legal services, and will be responsible for funding the operations of Aethlon Laboratories.

The mission of Aethlon Laboratories is to identify and develop new applications of the Company's Hemopurifier(TM) technology, as well as related diagnostic and therapeutic technologies which enhance the value of the core business. Working in collaboration with Hemex, this subsidiary will develop early-stage devices acquired through acquisition or identified in its own internal research. In doing so, Aethlon Laboratories will continue to fill the product "pipeline" as more mature products are commercialized.

Aethlon Laboratories will focus in the next three years on the development of the technologies acquired by AEMD in the last quarter of FY 2000. As additional technologies are acquired by the parent company, research and development priorities will be reevaluated and adjusted as necessary.

- VIRUS THERAPY. Effective January 1, 2000, AEMD acquired the rights to a novel process (patent pending) for the removal of targeted viruses from the blood using the Hemopurifier extracorporeal treatment method. While early research emphasis will be on HIV and Hepatitis C viruses, because of the large underlying markets, this therapeutic approach can be effective in dealing with any virus whose DNA can be identified and replicated.

  This invention combines DNA and antibody technology with extracorporeal treatment. DNA strands and antiviral antibodies are immobilized in the Hemopurifier cartridge so that as blood passes through the device, any virus not encapsulated in white blood cells is attracted to, and can bond with, the immobilized DNA and antibody combination.

  This treatment is designed to enhance the effectiveness of other therapies, like protease inhibitors in HIV treatment, by reducing the body burden of virus in a rapid and safe fashion. By capturing circulating viruses that would otherwise invade cells, this therapy will inhibit the growth of the virus and allow drug therapies to work more rapidly and effectively.

  The development of this device will be assigned the highest priority at Aethlon Laboratories, with an aggressive development program leading to an initial Feasibility Trial in FY 2002.

- CELL ACTIVATION THERAPY. On April 6, 2000, AEMD acquired Cell Activation, Inc., a young biotechnology company working in the field of inappropriate cell activation. Inappropriate cell activation is the pathological overreaction of the body's immune system, in various circumstances, causing the white blood cells to exacerbate, rather than ameliorate, the underlying medical issue. Cell Activation scientists have demonstrated that inappropriate cell activation is likely to be a major cause of life-threatening conditions frequently encountered by patients in the emergency room or in the intensive care unit.

- Aethlon Laboratories will focus on the development of extracorporeal therapies for inappropriate cell activation in trauma care, high-risk surgery, and cardiovascular care. Immobilization techniques for the removal of those complement factors which cause this pathological reaction, thought to be certain enzymes, will be similar to those used by Hemex to remove metal intoxicants from the blood.

- CELL ACTIVATION DIAGNOSTICS. Detection of the presence of a potentially troublesome complement factor is a precondition for the application of extracorporeal therapy. Therefore, Aethlon Laboratories will continue to develop the diagnostic products well underway at Cell Activation at the time of the acquisition. These include the Plazmazyme(TM) plasma assay kit (patent pending), which detects the presence of a certain enzyme that is a likely cause of complications in patients who receive blood and blood products in organ transplants and other procedures. Tests for additional complement factors will be developed to enhance the potential for widespread use of the Company's proprietary therapy

for inappropriate cell activation.

Although the diagnostic business is not a strategic priority for the Company, closely related products like the Plasmazyme kit can be important sources of early revenue and improved market acceptance of higher margin therapeutic products.

- OTHER PROJECTS. Syngen Research also has applied for a patent on a method of enzyme detection of DNA hybridization probes and has other work underway in the field of protein amplification. These opportunities will receive a lower priority than those set forth above, but each represents a potential product opportunity for the AEMD pipeline, or for a license to another company.

Syngen Research was acquired by AEMD on January 10, 2000, and Syngen began doing business as "Aethlon Laboratories." Syngen will be merged into the former Aethlon, Inc. subsidiary, and the surviving corporation's name will be changed to Aethlon Laboratories. Cell Activation, Inc. was acquired on April 6, 2000. Cell Activation will also be merged into Aethlon Laboratories. Aethlon Laboratories is a California corporation.

Syngen Research was founded in 1995 by Dr. Tullis as an operating company, with revenues from consulting contracts and sub-contract development in a well equipped laboratory with a staff oriented to DNA replication and amplification. Prior to the January 2000 merger, laboratory work was performed there for Cell Activation, as well as for several other biotechnology companies. Dr. Tullis received 65,000 shares

of AEMD common stock in exchange for 100% of the stock of Syngen Research, and was appointed to the Board of Directors of AEMD, and was elected its Vice President for Business Development.

Cell Activation was formed in December 1997 by a group of distinguished scientists and businessmen who were all employed in senior positions in their respective organizations, but wished to exploit the emerging inappropriate cell activation technology in which they had a common interest. Although Cell Activation had no salaried employees, it made good progress in developing its diagnostic products, particularly the Plazmazyme Assay Kit, in its two plus years of operation. The six owners of Cell Activation received a total of 99,152 shares of AEMD common stock, and options to purchase 50,848 shares of AEMD common stock, in exchange for 100% of the shares of Cell Activation.

Aethlon Laboratories intends to become a research and development company with specialized resources for the development of extracorporeal treatments of blood-borne pathogens. As products under development approach readiness for human clinical trials, Aethlon Laboratories will work closely with Hemex in planning and executing these trials. Manufacturing, as well as distribution and sales, will be arranged through strategic partners and contractors, also in close collaboration with Hemex.

As products from Hemex and Aethlon Laboratories mature, management will continue to review the most cost-efficient location - Aethlon Laboratories, Hemex, or AEMD - for various activities which can be shared among subsidiaries.

EXECUTIVE OFFICERS, DIRECTORS AND KEY EMPLOYEES

The names, ages and positions of the Company's directors and executive officers as of the date of this Prospectus are listed below:

<TABLE>
<CAPTION>

NAMES	TITLE OR POSITION	AGE
<S>	<C>	<C>
James A. Joyce	Chairman, Secretary, and Director	39
Franklyn S. Barry, Jr.	President/Chief Executive Officer and Director	61
John M. Murray	Vice President-Finance and Chief Financial Officer	67
Richard H. Tullis, Ph. D.	Vice President-Business Development and Director	55
Clara M. Ambrus, MD, Ph. D.	Chief Scientific Officer and Director	75
Edward G. Broenniman	Director	64
Robert J. Lambrix	Director	61

John P. Penhune, Ph. D. Director 64
</TABLE>

Resumes of Management follow:

JAMES A. JOYCE

As the Chairman of Aethlon Medical, Mr. Joyce has led the efforts that have resulted in the recent acquisitions of Hemex, Inc., Syngen Research, Inc., Cell Activation, Inc., and Bishop Equities, Inc. Mr. Joyce founded Aethlon, Inc., the predecessor to Aethlon Medical in May 1998. He has been the Chairman of the Board and Secretary of the Company since March 1999. In February 1993, Mr. Joyce was the founder and Chief Executive Officer of James Joyce & Associates; an organization that provided management consulting and investment banking advisory services to CEO's and CFO's of publicly traded companies. Selected transactions include the structure and placement of over $20 million in private equity on behalf of a publicly traded computer distribution company, and management and advisory services which led to the successful Initial Public Offering of a non-related biomedical company. Previously, Mr. Joyce was Chief Executive Officer of Mission Labs, Inc., and a principal in charge of U.S. operations for London Zurich Securities, Inc. Mr. Joyce graduated from the University of Maryland in 1984.

FRANKLYN S. BARRY, JR.

Mr. Barry has over 30 years of experience in managing and building companies. He has been the President and Chief Executive Officer of Hemex since April 1997, and became a director of the Company on March 10, 1999. 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 Technology, Inc., Barrister Global Services Network, Inc. (AMEX) and Merchants Mutual Insurance Company, a property and casualty insurance underwriter.

JOHN M. MURRAY, C.P.A.

Mr. Murray joined the Company in September 1999. From 1988 until his retirement in 1998 Mr. Murray was Vice President-Finance and Treasurer of American Precision Industries Inc., a multi-national manufacturer of industrial motion control and heat transfer products listed on The New York Stock Exchange.

RICHARD H. TULLIS, Ph.D.

Dr. Tullis has extensive biotechnology management and research experience. In 1996 he founded Syngen Research to pursue research in the fluorescent detection of DNA hybridization reactions. Syngen was acquired by the Company in January 2000, and he was elected a director of the Company at that time. During the past five years, Dr. Tullis also served as Chief Executive Officer of DNA Sciences, Inc. and Genetic Vectors, Inc.

CLARA M. AMBRUS, M.D., Ph.D.

Dr. Ambrus invented the Hemopurifier cartridge and is the founder of Hemex, Inc. which was acquired by the Company in March 1999. She was elected a director of the Company on July 14, 1999. She is a Research Professor at the State University of New York at Buffalo in both the School of Medicine and the School of Pharmacology.

EDWARD G. BROENNIMAN

Mr. Broenniman became a director of the Company on March 10, 1999. Mr. Broenniman has 30 years of management and executive experience with high-tech, privately-held growth firms where he has served as a CEO, COO, or corporate advisor, using his expertise to focus management on increasing profitability and stockholder value. He is the Managing Director of The Piedmont Group, LLC, a venture advisory firm. Mr. Broenniman recently served on the Board of Directors of publicly-traded QuesTech (acquired by CACI International), and currently serves on the Boards of four privately-held firms, the Dingham Center for Entrepreneurship's Board of Advisors at the University of Maryland, and the Board of the Association for Corporate Growth.

ROBERT J. LAMBRIX

Mr. Lambrix became a director of the Company on February 1, 2000. Since April 2000, Mr. Lambrix has been the Chief Executive Officer of U.S. Medical, Inc., a distributor of new and used medical equipment. From January 1997 to March 2000 he was a management consultant, and in 1996 he

was Chief Financial Officer of Senior Campus Living. From March 1994 to May 1995, Mr. Lambrix was a principal with Kotter Associates. He is the former Senior Vice President and Chief Financial Officer of Baxter International, Inc., a global leader in the development, manufacture, and distribution of medical devices and hospital supplies.

JOHN P. PENHUNE, Ph.D.

Dr. Penhune was a founder, President, and Chairman of the Board of Cell Activation, Inc. prior to its acquisition by the Company in April 2000, and he was elected a director of the Company at that time. In addition, he is Senior Vice President of Research at Science Applications International Corporation (SAIC), a Fortune 500 company with annual sales exceeding $5 billion.

Each of the directors is serving for a term that extends to the next Annual Meeting of Shareholders of the Company. The Company's Board of Directors presently has an Audit Committee and a Compensation Committee on each of which Messrs. Broenniman, Lambrix, and Penhune serve. Mr. Lambrix is Chairman of the Audit Committee, and Mr. Broenniman is Chairman of the Compensation Committee.

Mr. Broenniman is the son-in-law of Dr. Ambrus.

MANAGEMENT

EXECUTIVE COMPENSATION

During the fiscal year ended March 31, 2000, Mr. Joyce and Mr. Barry each earned a salary of $120,000 of which $90,000 has been paid and $30,000 is unpaid and deferred. No other officer of the Company received compensation in excess of $100,000 for the fiscal year.

In April 1999, the Company entered into two-year employment agreements with Mr. Joyce and Mr. Barry. Each agreement provides for base compensation of $120,000 per year. The agreements also provide that the employees are eligible to receive the Company's standard benefits package and

participation in an incentive compensation program to be developed and approved by the Board of Directors.

No compensation was paid to the directors of the Company during the fiscal year ended March 31, 2000. At a meeting held on May 31, 2000, the Board of Directors approved a fee arrangement for non-employee directors, effective with the May 31, 2000 meeting. An annual retainer will consist of a stock option for 2,000 shares of Company stock with an exercise price equal to 75% of the average closing price of the stock for the 30 days prior to issuance. A cash fee of $1,000 for each day or partial day spent attending board and committee meetings will be paid. The cash fee for telephonic attendance will be $500. In addition, for each board and committee attended in person or by phone, the director will receive an option to acquire 100 shares of Company stock with an exercise price equal to 75% of the average closing price of the stock for the 30 days prior to the meeting date. All out-of-pocket expenses incurred to attend meetings are reimbursed by the Company.

EMPLOYMENT AGREEMENTS

In addition to the employment agreements with Mr. Joyce and Mr. Barry referred to in "Executive Compensation" above, the Company has employment agreements with Dr. Ambrus and Dr. Tullis. The employment agreement with Dr. Ambrus provides for annual compensation of $80,000 and is terminable by the Company on March 31, 2002 on written notice 60 days prior to the end of the term. If the Company does not serve notice of termination 60 days prior to the end of the term the agreement continues for successive one-year terms. The employment agreement with Dr. Tullis provides for annual compensation of $80,000 and is terminable by the Company on January 9, 2002 on written notice 60 days prior to the end of the term. If the Company does not serve notice of termination 60 days prior to the end of the term the agreement continues for successive one-year terms.

PRINCIPAL SHAREHOLDERS

The following table sets forth the beneficial ownership of the Company's officers, directors, and persons who own more than five percent of the Company's common stock as of November 30 , 2000:

<TABLE>
<CAPTION>

Name and Address (1)	Positions Held	Number and Percentage (2) of Shares Beneficially Owned
</TABLE>

James A. Joyce	Chairman, Secretary, and Director	675,400	24.4%	
Franklyn S. Barry, Jr.	President, Chief Executive Officer, and Director	418,593 (3)	13.2% (3)	
Edward G. Broenniman	Director	258,374 (4)	9.3%	

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Clara Ambrus	Chief Scientific Officer and Director	450,279	16.3%	
Richard H. Tullis	Director	65,000	2.4%	
John P. Penhune	Director	40,646 (5)	1.5%	
John M. Murray	Chief Financial Officer	-0-	0%	
Robert J. Lambrix	Director	2,500 (6)	0.1%	
Deborah Salerno (7)	Shareholder	247,600	8.9%	
All directors and executive officers of Company as a group (8 persons)		2,158,382 (8)	59.9% (8)	

</TABLE>

(1) The shareholders' address, unless otherwise indicated, is at the Company's principal executive offices at 7825 Fay Avenue, Suite 200, LaJolla, California 92037.
(2) Assumes 2,771,652 shares outstanding plus the number of options presently exercisable by each named person.
(3) Includes 412,500 shares issuable upon the exercise of presently-exercisable incentive stock options at an exercise price of $3.00 per share. The percentage ownership for Mr. Barry is based on 3,184,152 shares outstanding, assuming the exercise of the 412,500 options.
(4) Includes 201,989 shares owned of record by Linda Broenniman, Mr. Broenniman's wife. Also includes 2,500 shares issuable upon the exercise of presently exercisable non-qualified stock options at exercise prices ranging from $3.75 to $5.80 per share.
(5) Includes 2,500 shares issuable upon the exercise of presently exercisable non-qualified stock options at exercise prices ranging from $3.75 to $5.80 per share.
(6) Represents 2,500 shares issuable upon the exercise of presently exercisable non-qualified stock options at exercise prices ranging from $3.75 to $5.80 per share.
(7) Ms. Salerno's address is 355 South End Avenue, New York, NY 10280.
(8) Includes 420,000 shares issuable upon the exercise of presently-exercisable stock options held by the officers and directors.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

DESCRIPTION OF SECURITIES

The following description of the capital stock of the Company and certain provisions of the Company's Articles of Incorporation and Bylaws is a summary and is qualified in its entirety by the provisions of the Articles of Incorporation and Bylaws, which have been filed as exhibits to the Company's Registration Statement of which this Prospectus is a part.

The authorized capital stock of the Company currently consists of 25,000,000 shares of Common Stock, $.001 par value and no shares of Preferred Stock.

COMMON STOCK

The Common Stock holders have equal ratable rights to dividends from funds legally available therefor, when, as and if declared by the Board of Directors and are entitled to share ratably in all of the assets of the Company available for distribution to the holders of shares of Common Stock upon the

liquidation, dissolution or winding up of the affairs of the Company. Except as described herein, no pre-emptive, subscription, or conversion rights pertain to the Common Stock and no redemption or sinking fund provisions exist for the benefit thereof. All outstanding shares of Common Stock offered hereby will be duly authorized, validly issued, fully paid and nonassessable.

As a consequence of their ownership of Common Stock, the current stockholders of the Company will continue to control a majority of the voting power of the Company and, accordingly, will be able to elect all of the Company's directors.

REDEEMABLE WARRANTS

At any time commencing on the date of issuance until the fifth anniversary date of the Prospectus for that offering, each Warrant will be exercisable to purchase one share of Common Stock. A copy of the Warrant Agreement has been filed as an exhibit to the Registration Statement for this offering.

REDEMPTION

The Warrants may be exercised upon surrender of the certificate or certificates therefor on or prior to the expiration or the redemption date at the offices of the Company's warrant agent (the "Warrant Agent") with the subscription form on the reverse side of the certificate or certificates completed and executed as indicated, accompanied by payment (in the form of a certified or cashier's check payable to the order of the Company) of the full exercise price for the number of Warrants being exercised.

The Warrants contain provisions that protect the holders thereof against dilution by adjustment of the exercise price per share and the number of shares issuable upon exercise thereof upon the occurrence of certain events at less than market value, stock dividends, stock splits, mergers, sale of substantially all of the Company's assets, and for other extraordinary events; provided, however, that no such adjustment shall be made upon, among other things, (i) the issuance or exercise of options or other securities under the Company's Stock Option Plan or other employee benefit plans or (ii) the sale or exercise of outstanding options or warrants or the shares underlying Warrants.

The Company is not required to issue fractional shares of Common Stock and in lieu thereof will make a cash payment based upon the current market value of such fractional shares. The holder of the Warrants will not possess any rights as a stockholder of the Company unless and until he or she exercises the Warrants.

REGISTRATION RIGHTS

The Company has granted certain demand and piggyback registration rights to the Selling Shareholders, which rights have been satisfied in connection with the filing of the registration statement covering this Prospectus.

TRANSFER AGENT AND WARRANT AGENT

Computershare Investor Services, Lakewood, Colorado, will serve as Transfer Agent for the shares of Common Stock and Warrant Agent for the Warrants.

CERTAIN STATUTORY AND CHARTER PROVISIONS UNDER THE NEVADA GENERAL CORPORATION LAW

Section 203 of the Nevada General Corporation Law provides, in general,

that a stockholder acquiring more than 15% of the outstanding voting shares of a publicly-held Nevada corporation subject to the statute (an "Interested Stockholder") may not engage in certain "Business Combinations" with the corporation for a period of three years subsequent to the date on which the stockholder became an Interested Stockholder unless (i) prior to such date the corporation's board of directors approved either the Business Combination or the transaction in which the stockholder became an Interested Stockholder or (ii) upon consummation of the Business Combination, the Interested Stockholder owns 85% or more of the outstanding voting stock of the corporation (excluding shares owned by directors who are also officers of the corporation or shares held by employee stock option plans that do not provide employees with the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer), or (iii) the Business Combination is approved by the corporation's board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock of the corporation not owned by the Interested Stockholder.

Section 203 defines the term "Business Combination" to encompass a wide variety of transactions with or caused by an Interested Stockholder in which the Interested Stockholder receives or could receive a benefit on other than a pro rata basis with other stockholders, including mergers, certain asset sales, certain issuances of additional shares to the Interested Stockholder or transactions in which the Interested Stockholder receives certain other benefits.

These provisions could have the effect of delaying, deferring or preventing a change of control of the Company. The Company's stockholders, by adopting an amendment to the Certificate of Incorporation or Bylaws of the Company, may elect not to be governed by Section 203, effective twelve months after adoption. Neither the Certificate of Incorporation nor the Bylaws of the Company currently excludes the Company from the restrictions imposed by Section 203.

The Nevada General Corporation Law permits a corporation through its Certificate of Incorporation to eliminate the personal liability of its directors to the Corporation or its stockholders for monetary damages for breach of fiduciary duty of loyalty and care as a director with certain exceptions. The exceptions include a breach of the director's duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, and improper personal benefit. The Company's Certificate of Incorporation exonerates its directors from monetary liability to the fullest extent permitted by this statutory provision.

SHARES ELIGIBLE FOR FUTURE SALE

Future sales of substantial amounts of common stock in the public market could adversely affect market prices prevailing from time to time. Under the terms of this offering, the [1] shares of common stock to be issued, or underlying the warrants to be issued, may be resold without restrictions or further registration under the Securities Act of 1933, except that any shares purchased by our "affiliates," as that

term is defined under the Securities Act, may generally only be sold in compliance with the limitations of Rule 144 under the Securities Act.

OUTSTANDING RESTRICTED STOCK

2,559,201 outstanding shares of common stock are restricted securities within the meaning of Rule 144 and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemption from registration offered by Rule 144. In general, under Rule 144, as currently in effect, a person who has beneficially owned restricted shares for at least one year, including a person who may be deemed to be our affiliate, may sell within any three-month period a number of shares of common stock that does not exceed a specified maximum number of shares. This maximum is equal to the greater of 1% of the then outstanding shares of our common stock or the average weekly trading volume in the common stock during the four calendar weeks immediately preceding the sale. Sales under Rule 144 are also subject to restrictions relating to manner of sale, notice and availability of current public information about us. In addition, under Rule 144(k) of the Securities Act, a person who is not our affiliate, has not been an affiliate of ours within three months prior to the sale and has beneficially owned shares for at least two years would be entitled to sell such shares immediately without regard to volume limitations, manner of sale provisions, notice or other requirements of Rule 144.

WARRANTS

The resale of shares of common stock to be issued upon the exercise of the warrants issued or issuable to finder under the Investment Agreement are being registered by this offering statement.

PLAN OF DISTRIBUTION

The Selling Shareholders are free to offer and sell their common shares at such times, in such manner and at such prices as they may determine. The types of transactions in which the common shares are sold may include transactions in the over-the-counter market (including block transactions), negotiated transactions, the settlement of short sales of common shares, or a combination of such methods of sale. The sales will be at market prices prevailing at the time of sale or at negotiated prices. Such transactions may or may not involve brokers or dealers. The Selling Shareholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of its securities. The Selling Shareholders do not have an underwriter or coordinating broker acting in connection with the proposed sale of the common shares.

The Selling Shareholders may effect such transactions by selling common stock directly to purchasers or to or through broker-dealers, which may act as agents or principals. Such broker-dealers may receive compensation in the form of discounts, concessions, or commission from the Selling Shareholders. They may also receive compensation from the purchasers of common shares for whom such broker-dealers may act as agents or to whom they sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customary commissions).

Each Selling Shareholder is, and any broker-dealer that acts in connection with the sale of common shares may be deemed to be, an "underwriter" within the meaning of Section 2(11) of the

Securities Act. Any commissions received by such broker-dealers and any profit on the resale of the common shares sold by them while acting as principals might be deemed to be underwriting discounts or commissions.

Because the Selling Shareholders are "underwriters" within the meaning of Section 2(11) of the Securities Act, they will be subject to prospectus delivery requirements.

We have informed the Selling Shareholders that the anti-manipulation rules of the SEC, including Regulation M promulgated under the Securities and Exchange Act, may apply to their sales in the market and have provided each Selling Shareholder with a copy of such rules and regulations.

The Selling Shareholders also may resell all or a portion of the common shares in open market transactions in reliance upon Rule 144 under the Securities and Exchange Act, provided it meets the criteria and conforms to the requirements of such Rule.

SELLING SHAREHOLDERS

The Selling Shareholders are offering hereby a total of up to 3,200,000 shares of our Common Stock. The following table sets forth certain information with respect to the Selling Shareholders as of November 30, 2000. The Selling Shareholders are not currently affiliates of the Company, and have not had a material relationship with the Company during the past three years, other than as a holder of securities of the Company and the negotiation of the Subscription Agreement.

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner	Beneficial Ownership of Common Stock as of November 30, 2000(1)	Maximum Number of Shares of Common Stock Offered for Sale in this Offering(1)	Amount and Percentage of Common Stock Beneficially Owned After the Offering(2)	
<S>	<C>	<C>	<C>	<C>
Esquire Trade & Finance, Inc.	1,600,000	1,600,000	0	0
Libra Finance, S.A.(3)	1,600,000	1,600,000	0	0

</TABLE>

(1) This number includes (solely for purposes of this prospectus) up to an aggregate of 3,200,000 shares of our common stock that we may issue to the Selling Shareholders pursuant to the terms of the Subscription Agreement including Common Stock underlying the Put Notes and Warrants, which shares would not be deemed beneficially owned within the meaning of Sections 13(d) and 13(g) of the Exchange Act before their acquisition by the Selling Shareholders. It is expected that the Selling Shareholders will not beneficially own more than 9.9% of our outstanding common stock at any time.

(2) Assumes that the Selling Shareholders will sell all of the shares of common stock offered hereby. We cannot assure you that the Selling

Shareholders will sell

all or any of the shares offered hereunder or in the prior offering.

(3) This number includes 119,048 shares of common stock issuable upon exercise of outstanding Warrants that are currently exercisable, which represents 4.1% of our issued and outstanding as of November 30, 2000, assuming the full exercise of the Warrants.

SUBSCRIPTION AGREEMENT

Overview. On November 1, 2000, we entered into a Subscription Agreement (the "Subscription Agreement") with the Esquire Trade & Finance, Inc. ("ETF"), one of the Selling Shareholders pursuant to which we issued a Convertible Note bearing interest at 8% in the principle amount of $375,000 (the "Note"). The conversion formula provides that the number of shares of Common Stock issuable upon the conversion of the Note shall be the lower of (i) 90% of the closing price for the Common Stock on the principal market or exchange where the Common Stock is listed or traded for the last trading day immediately prior to but not including the issue date of the Notes (the "Maximum Base Price"); or (ii) 75% of the average of the three lowest closing bid prices for the Common Stock on the principal market or exchange where the Common Stock is listed or traded (the "Principal Market"), for the 10 trading days prior to but not including the date of conversion. We also agreed to issue up to $4,625,000 in additional Convertible Notes (the "Put Notes") on the same terms as the Note, except that the conversion shall be the lower of (i) the Maximum Base Price; or (ii) 82.5% of the average of the three lowest closing bid prices of the Common Stock on the Principal Market for the 10 trading days prior to but not including the conversion date, and we have the right to require ETF to subscribe for the Put Notes under certain circumstances (the "Put Right").

Put Rights. In order to invoke the Put Right, we must have an effective registration statement on file with the SEC registering the resale of the common shares which may be issued as a consequence of the invocation of that Put Right. Additionally, we must provide the Selling Shareholders with a "Put Notice," which must set forth the "Put Amount" which we intend to sell to the Selling Shareholders. The Put Amount sold to the Selling Shareholders in a Put may not exceed a limit based on the price of the Common Stock and the average daily reported trading volume during the 30 calendar days preceding the delivery of the Put Notice. The Put Amount specified in a Put Notice may not be less than $100,000.

Limitations and Conditions Precedent to our Put Rights. The Selling Shareholders' obligation to acquire and pay for any common shares with respect to any particular put is subject to certain conditions precedent, including:

- This Registration Statement must be effective;
- Trading of our Common Stock must not have been suspended, and our Common Stock must continue to be listed on its principal market;
- Until our shareholders vote to approve the [2], no more than 3,200,000 shares of Common Stock may be issued; and
- The average trading volume for our Common Stock over the previous 30 trading days must equal or exceed 20,000 shares per trading day.

Short Sales. The Selling Shareholders and their affiliates are prohibited from engaging in short sales of our common stock at a per share price of less than $10.00 per share unless they have received a put notice and the amount of shares involved in a short sale does not exceed the number of shares specified in the put notice.

LEGAL MATTERS

The validity of the shares of common stock being offered hereby will be passed upon for the Company by Gibson, Haglund & Paulsen, Irvine, California.

EXPERTS

The financial statements of Aethlon Medical, Inc. ("AEMD") at March 31, 2000, and for each of the two years in the period ended March 31, 2000, appearing in this Prospectus and Registration Statement have been audited by Freed, Maxick, Sachs & Murphy, PC, independent auditors, as set forth in their report thereon (which contains an explanatory paragraph describing conditions that raise substantial doubt about the Company's ability to continue as a going concern as described in Note 2 to the financial statements) appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

AVAILABLE INFORMATION

We have filed a registration statement on Form SB-2 under the Securities Act of 1933, as amended, relating to the shares of common stock being offered by this prospectus, and reference is made to such registration statement. This prospectus constitutes the prospectus of AEMD filed as part of the registration statement, and it does not contain all information in the registration statement, as certain portions have been omitted in accordance with the rules and regulations of the SEC.

We are subject to the informational requirements of the Securities Exchange Act of 1934 and pursuant to those requirements, we file reports, proxy statements and other information with the Securities and Exchange Commission relating to our business, financial statements and other matters. Reports, proxy and information statements filed under Sections 14(a) and 14(c) of the Securities Exchange Act of 1934 and other information filed with the SEC, including copies of the registration statement, can be inspected and copied SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

We intend to furnish our shareholders with annual reports containing audited financial statements.

AETHLON MEDICAL, INC. AND SUBSIDIARIES

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EXHIBIT 23.2

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Aethlon Medical, Inc. and Subsidiaries
Buffalo, New York

We have audited the accompanying consolidated balance sheets of Aethlon Medical, Inc. (formerly Bishop Equities, Inc.) and Subsidiaries (A Development Stage Enterprise) as of March 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' deficiency, and cash flows for the years then ended and for the period from January 31, 1984 (inception) to March 31, 2000. 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 generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial stastments are free of material misstatement. An audit includes examining, on a test basis,

evidence supporting the amounts and disclosures in the financial 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aethlon Medical, Inc. and Subsidiaries (A Development Stage Enterprise) as of March 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended and from January 31, 1984 (inception) to March 31, 2000 in conformity with generally accepted accounting principles.

The accompanying consolidated fianancial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and its total liabilities exceed its assets. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Buffalo, New York
June 21, 2000

AETHLON MEDICAL, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED MARCH 31,

<TABLE>
<CAPTION>

<S>	2000 <C>	1999 <C>	Cumulative during development stage through March 31, 2000 <C>
REVENUE			
Grant income	$ -	$ -	$ 1,424,012
Subcontract income	-	-	73,746
Sale of research and development	-	-	35,810
Other income	20,559	-	37,784
Interest income	-	-	17,415
Total revenue	20,559	-	1,588,767
EXPENSES			
Personnel costs	457,629	221,779	3,305,125
Interest and debt expense	425,085	13,823	515,846
Professional fees	254,258	45,887	571,238
Rent and office expense	76,027	38,144	491,714
Insurance	33,175	(2,347)	90,486
Travel and meetings	26,738	5,325	144,155
Depreciation	11,098	16,287	134,918
Amortization-patents	8,172	8,171	42,899
Amortization-goodwill	12,695	-	12,695
Laboratory supplies	2,650	180	102,383
Miscellaneous	6,627	3,131	104,930
Equipment and maintenance	623	1,674	165,322
Research and development consultation	-	-	240,463
Subcontract expense	-	-	195,964
Contractual costs	-	-	192,112
Dues and subscriptions	-	-	13,596
Total expenses	1,314,777	352,054	6,323,846
Loss before income tax provision	(1,294,218)	(352,054)	(4,735,079)
Income tax provision	5,164	625	11,337
NET LOSS	$ (1,299,382)	$ (352,679)	$ (4,746,416)
PER SHARE:			
Net loss	$ (0.50)	$ (0.23)	$ (3.30)

Weighted average number of common shares outstanding	2,612,292	1,506,833	1,439,595

</TABLE>

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED BALANCE SHEETS
MARCH 31,

<TABLE>
<CAPTION>

<S>	2000 <C>	1999 <C>
ASSETS		
CURRENT ASSETS		
Cash	$ 217,017	$ 3,052
Accounts receivable	61,495	-
Prepaid expenses	36,940	-
Employee advances	15,800	-
Total current assets	331,252	3,052
FURNITURE AND EQUIPMENT, NET	41,535	33,608
OTHER ASSETS		
Patents and trademarks, net	177,065	45,413
Deferred debt expense, net	273,738	-
Goodwill, net	495,088	-
Other	1,330	-
Total other assets	947,221	45,413
Total assets	$1,320,008	$ 82,073
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable:		
Trade	$ 740,562	$252,178
Related parties	259,324	229,806
Notes payable, net of discount	501,708	-
Accrued liabilities	201,631	63,577
Deferred compensation	329,835	310,008
Total current liabilities	2,033,060	855,569
STOCKHOLDERS' DEFICIENCY:		
Common stock - $.001 par value 25,000,000 shares authorized, 2,672,500 (2,595,000 - 1999) shares issued and outstanding	2,673	2,595
Additional paid in capital	3,290,865	2,670,943
Additional paid in capital - warrants	739,826	-
Deficit accumulated during development stage	(4,746,416)	(3,447,034)
Total stockholders' deficiency	(713,052)	(773,496)
Total liabilities and stockholders' deficiency	$1,320,008	$ 82,073

</TABLE>

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31,

<TABLE>
<CAPTION>

<S>	2000 <C>	1999 <C>	Cumulative during development stage through March 31, 2000 <C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (1,299,382)	$ (352,679)	$ (4,746,416)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	11,098	16,287	134,918
Amortization	292,024	8,171	326,751
Services paid by issuance of warrants	5,000		5,000
Deferred compensation forgiven	-	37,600	217,223
(Increase) decrease in assets:			
Accounts receivable and advances	(14,629)		(14,629)
Prepaid expenses	(36,940)		(36,940)
Other assets	(1,329)		(1,329)
Increase (decrease) in liabilities:			
Accounts payable	207,350	12,838	597,984
Accrued liabilities	138,054	77,074	268,869
Deferred compensation	19,827	77,959	329,834
Net cash used by operating activities	(678,927)	(122,750)	(2,918,735)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(13,476)	-	(170,904)
Purchase of patents	(39,824)	-	(120,564)
Cash of acquired company	8,442	-	8,442
Net cash used by investing activities	(44,858)	-	(283,026)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in notes payable	1,052,500	-	1,052,500
Loan acquisition costs	(114,750)	-	(114,750)
Loans from stockholders			370,384
Advances from affiliate	-	122,100	122,100
Proceeds from issuance of common stock	-	2,470	1,988,544
Net cash provided by financing activities	937,750	124,570	3,418,778
NET INCREASE IN CASH	213,965	1,820	217,017
Cash - beginning of year	3,052	1,232	-
Cash - end of year	$ 217,017	$ 3,052	$ 217,017
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the period for:			
Interest	$ 18,727	$ -	$ 42,307
Income taxes	$ 1,350	$ 325	$ 7,162
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Loans converted to common stock of Hemex	$ -	$ 435,094	$ 435,094
Net assets of entities acquired in exchange for the issuance of common stock	$ 520,000	$ 119,014	$ 639,014
Patent acquired for 12,500 shares of common stock	$ 100,000	$ -	$ 100,000
Debt placement fees paid by issuance of warrants	$ 246,119	$ -	$ 246,119
Allocation of note proceeds to note discount	$ 734,826	$ -	$ 734,826

</TABLE>

See accompanying notes.

(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY

<TABLE>
<CAPTION>

	COMMON STOCK		PAID IN	PAID IN CAPITAL-	ACCUMULATED	TOTAL
	SHARES	AMOUNT	CAPITAL	WARRANTS	DEFICIT	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT MARCH 31, 1998	1,274,000	$ 1,274	$ 1,987,270	$ -	$ (3,094,355)	$(1,105,811)
Conversion of loans payable - stockholders into Hemex common stock	76,000	76	435,018	-	-	435,094
Issuance of common stock for acquisition of Aethlon Medical	511,500	511	(2,437)	-	-	(1,926)
Issuance of common stock for acquisition of Aethlon	733,500	734	102,869	-	-	103,603
Forgiven employee/stockholder deferred compensation	-	-	217,223	-	-	217,223
Net loss - 1999	-	-	-	-	(352,679)	(352,679)
BALANCE AT MARCH 31, 1999 (704,496) as previously reported	2,595,000	2,595	2,739,943	-	(3,447,034)	
Prior period adjustment (Note 3)	-	-	(69,000)	-	-	(69,000)
BALANCE AT MARCH 31, 1999 as adjusted	2,959,000	2,595	2,670,943	-	(3,447,034)	(773,496)
Issuance of common stock for acquisition of Aethlon Labs	65,000	65	519,935	-	-	520,000
Issuance of common stock for acquisition of patent rights	12,500	13	99,987	-	-	100,000
Warrants to acquire common stock issued with promissory notes	-	-	-	734,826	-	734,826
Warrants to acquire common stock issued in exchange for services	-	-	-	5,000	-	5,000
Net loss - 2000	-	-	-	-	(1,299,382)	(1,299,382)
BALANCE AT MARCH 31, 2000	2,672,500	$ 2,673	$ 3,290,865	$ 739,826	$ (4,746,416)	$ (713,052)

</TABLE>

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of Aethlon Medical, Inc. (formerly Bishop Equities, Inc.) (Aethlon Medical) and its wholly owned subsidiaries, Hemex, Inc. (Hemex), Syngen Research, Inc. (doing business as Aethlon Laboratories, Inc.) (Aethlon Labs), and Aethlon, Inc. (collectively the Company). All significant intercompany balances and transactions have been eliminated.

NATURE OF BUSINESS - Aethlon Medical, which was formerly a non-operating public shell, is the parent company of Aethlon Inc., Aethlon Labs, and Hemex. Hemex, incorporated on January 31, 1984 and acquired by Aethlon Medical on March 10, 1999, is a start-up research and development company involved in developing the Hemopurifier-TM- which is a medical device for removing substances from the blood. Aethlon, Inc. was incorporated on June 24, 1998 to acquire proprietary medical device technologies with the potential to be developed and commercialized on an international basis. Aethlon Labs was incorporated on October 14, 1999 and acquired by Aethlon Medical on January 10, 2000.

To date the Company is in the initial stage of its operations and has not yet engaged in significant commercial activities. Marketing of the Hemopurifier is subject to FDA approval.

ESTIMATES - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and receipts and expenditures during the reporting period. Actual results could differ from estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS - The carrying amounts of the current assets and liabilities reported in the balance sheets approximate fair value due to their short-term maturity.

SEGMENT REPORTING - The Company is currently organized, managed and internally reported as one segment. The segment operates entirely within the United States.

NET LOSS PER COMMON SHARE - In accordance with SFAS 128, dual presentation of basic and diluted earnings per share is required on the face of the statement of operations. Net loss per share is based upon the weighted average number of common shares outstanding during the periods presented. Outstanding stock options and warrants have not been considered common stock equivalents because their assumed exercise would be anti-dilutive.

EQUIPMENT AND DEPRECIATION - Equipment is recorded at cost. Depreciation has been determined using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the

years ended March 31, 2000 and 1999 was $11,098 and $16,287, respectively. Accumulated depreciation as of March 31, 2000 and 1999 amounted to $132,771 and $123,820, respectively.

INTANGIBLE ASSETS - Intangible assets consist of patents, goodwill, and deferred debt expense. The Company periodically reviews the recoverability of the carrying value of its intangible assets. In determining whether there is an impairment, the Company compares the sum of the expected future cash flows (undiscounted and without interest charges) to the carrying amount of the asset. In addition, the Company will consider other significant events or changes in the economic and competitive environments that may indicate that the remaining estimated useful lives of its intangibles may warrant revision. At March 31, 2000, the Company believed that no impairment of intangibles existed.

PATENTS AND AMORTIZATION - Three patents were acquired during the year ended December 31, 1994 from a stockholder in exchange for a note payable in the amount of $80,140. These patents are being amortized on the straight-line method over their remaining lives which expire between the years 2003 through 2005. Amortization for each of the years ended March 31, 2000 and 1999 was $8,171. Accumulated amortization as of March 31, 2000 and 1999 amounted to $42,899 and $34,727, respectively. During the year ended March 31, 2000, the Company capitalized costs relative to seven patent applications and three trademarks totaling $139,824. The Company will amortize these costs over the lives of the patents and trademarks beginning with date of issuance.

GOODWILL - Goodwill relates to the acquisition of Syngen Research, Inc. on January 10, 2000. Goodwill is being amortized over ten years, and amortization in the year ended March 31, 2000 amounted to $12,695.

DEFERRED DEBT EXPENSE - The cash fees paid and warrants granted to private placement firms in connection with promissory notes sold are being amortized on a straight-line basis over the one-year term of the related notes. Amortization expense for the year ended March 31, 2000 was $87,124 and accumulated amortization as of March 31, 2000 was $87,124.

RESEARCH, DEVELOPMENTAL AND ORGANIZATIONAL COSTS - Research, developmental and organizational costs are expensed as incurred.

INCOME TAXES - Income taxes are computed in accordance with Financial Accounting Standards Board Statement No. 109, Accounting for Income Taxes. Deferred taxes are provided on temporary differences arising from assets and liabilities whose bases are different for financial reporting and income tax purposes. Differences in basis for which deferred taxes are provided relate primarily to costs associated with research and development.

NOTE 2. - FINANCIAL CONDITION

On March 10, 1999, Aethlon Medical acquired the outstanding stock of two privately held Development Stage Enterprises, Hemex and Aethlon, Inc., in order to pursue its commitment to become a significant developer and manufacturer of medical device technologies (see Note 3). Hemex has developed a proprietary and patented technology for the extracorporeal removal of toxic materials from the blood, and has completed its first clinical trial of one application of this technology. Aethlon, Inc. was formed as a medical device acquisition company, whose mission will now be carried forward by Aethlon Medical.

During fiscal year 2000, the Company consummated the acquisition of an invention and related patents and also acquired all of the common stock of Syngen Research, Inc. (see Note 3). These acquisitions were accomplished through the issuance of shares of the common stock of the Company.

Management intends to seek other acquisitions in related medical device technologies while in the near term concentrating on the commercialization of the Hemex Hemopurifier-TM- product line.

The implementation of the Company's business plan is dependent upon its ability to raise equity capital. During the fiscal year ended March 31, 2000, the Company financed its research and development activities through the private placement of $1,052,500 principal amount of 12-month notes bearing interest at 12% per annum. In March 2000, the Company entered into an agreement with an investment banking firm under which the firm will use its best efforts to complete the private placement of the Company's common stock in the amount of $10 million. Management believes that the financing provided by this stock offering, should it be completed, will be sufficient to meet the Company's cash needs, including the commercialization of the Hemopurifier-TM- products, for at least three years. Additional financing may be required in the case of further acquisitions.

Management has several strategies for the conservation of capital while it is a Development Stage Enterprise. Management will invest principally in research and product development, and to a lesser extent in marketing, planning and development. Strategic partnerships and subcontracting relationships are planned for direct sales, distribution and manufacturing activities related to the Hemex product line. Careful management of general and administrative expenses, including the use of part-time experts in specific functions, will minimize "burn rate" during the pre-revenue phase.

The Company has sustained substantial operating losses in recent years, and expects to do so for the next two fiscal years. Also, its current liabilities exceed its current assets by $1,701,808 at March 31, 2000. Management believes that the actions described above will provide the basis for the Company to make the transition from a Development Stage Enterprise to commercial operations. However, there is no assurance that the Company's present plans will be successful.

NOTE 3. - CAPITAL TRANSACTION

In February 1999, Aethlon Medical (a non-operating public shell) entered into a merger agreement with Hemex and Aethlon, Inc. whereby Aethlon Medical issued 1,350,000 and 733,500 shares of its common stock to Hemex and Aethlon, Inc., respectively, in exchange for 100% of their outstanding shares. Hemex and Aethlon, Inc. survived as the operating entities and wholly-owned subsidiaries of Aethlon Medical.

During the fiscal year ended March 31, 2000, the Company corrected the accounting for the acquisition of Aethlon, Inc. to reflect an additional liability in the amount of $69,000 which should have been recorded at the date of acquisition. This correction has been treated as a prior period

adjustment, which results in a corresponding adjustment to paid in capital as of March 31, 1999.

As a result of the merger, the Hemex shareholders became the majority owners of the Company and have effective operating control. Accordingly, the transaction was accounted for as a reverse acquisition whereby Hemex was deemed to be the accounting acquirer of Aethlon Medical and Aethlon,

Inc. through the issuance of stock for their net monetary assets, followed by a recapitalization. The assets and liabilities of Aethlon Medical and Aethlon, Inc. have been recorded at their historical cost, which approximated their fair market value. The results of operations include those of Aethlon Medical and Aethlon, Inc. since the date of acquisition. Hemex has changed its fiscal year end from December 31 to that of Aethlon Medical, with Aethlon, Inc. also adopting the same fiscal year.

On January 10, 2000, the Company acquired from Richard H. Tullis, PhD all the outstanding common stock of Syngen Research, Inc. in exchange for 65,000 share of the Company's common stock. Syngen Research, Inc. (d/b/a Aethlon Laboratories, Inc.) became a wholly-owned subsidiary of the Company and will engage primarily in the development of the virus removing device under the direction of Dr. Tullis. The acquisition was accounted for using the purchase method of accounting, and the results of operations of Aethlon Labs have been included in the accompanying consolidated financial statements from the date of acquisition.

The following is a proforma summary of the results of operations had Aethlon Medical, Aethlon, Inc. and Hemex been combined as of April 1, 1998 and had Aethlon Labs been acquired as of April 1, 1998:

<TABLE>
<CAPTION>

	YEAR ENDED MARCH 31,	
	2000	1999
<S>	<C>	<C>
Net loss	$(1,311,975)	$ (497,728)
Net loss per share	$ (.49)	$ (.20)

</TABLE>

NOTE 4. - LEASES

The Company rents laboratory space in San Diego, California and Amherst, New York and office space in La Jolla, California and Williamsville, New York on a month-to-month basis. Total rent expense for the years ended March 31, 2000 and 1999 was $55,183 and $32,429, respectively.

NOTE 5. - DEFERRED COMPENSATION

The Company has accrued but unpaid compensation obligations (deferred compensation) with two of its present officers/stockholders and two stockholders who are former officers. The Company has entered into an agreement with the individuals, the terms of which require the Company to compensate the individuals the amount owed as soon as the Company has funds available. To facilitate the capital transaction described in Note 3, the employees have agreed to accept a discounted amount as full payment of the deferred compensation. As a result, the deferred compensation liability presented in the accompanying financial statements has been discounted by 40 percent, reflecting the amount of funds management estimates will be available from a proposed private placement (see Note 2) to satisfy the payment of the deferred compensation. The amounts discounted and forgiven by the employee/stockholders in the amount of $217,223 was recorded as an increase in additional paid in capital at March 31, 1999.

NOTE 6. - NOTES PAYABLE

During the year ended March 31, 2000, the Company entered into arrangements for the issuance of up to $1,350,000 of private placement debt in units of $25,000. The notes bear interest at 12% per annum and mature one year from the date of issuance. Each unit contains a warrant to purchase 12,500 shares of the Company's common stock at a price of $5 per share for a five-year term. The warrants may be called by the Company upon meeting certain per share market price goals. At March 31, 2000, notes aggregating $1,017,500 had been issued under this program, and there were noteholder warrants outstanding for 508,750 shares of stock.

The Company has allocated the proceeds from the private placement debt to the warrants and notes on a pro-rata basis based upon the estimated

fair value of each financial instrument separately. Accordingly, $734,826 of the note proceeds was allocated to the noteholder warrants. This amount is reflected as a note discount, which is netted against the note payable balance in the accompanying balance sheet and is also included as additional paid in capital - warrants. The note discount is being amortized as additional interest expense over the one-year term of the notes. Amortization in the year ended March 31, 2000 totaled $184,034, and the remaining unamortized note discount at March 31, 2000 was $550,792.

The Company incurred cash fees of $114,750 and agreed to grant warrants for 50,875 shares of common stock, valued at $246,113, in connection with this private placement of debt which are being amortized over the one-year term of the notes. These warrants will have the same terms as the warrants granted to noteholders. Pending issuance of the warrants, the value of these warrants is reflected in accounts payable at March 31, 2000. Amortization for the placement fees during the year ended March 31, 2000 amounted to $87,124. In addition, the Company has agreed to pay additional placement fees equal to 10% of the proceeds from the exercise of warrants by noteholders at such time as noteholder warrants are exercised.

In connection with the issuance of certain 10% demand notes, in the amount of $64,500, issued and repaid during the current fiscal year, the Company has agreed to issue 14,250 shares of the Company's common stock as additional compensation to the lender. Pending issuance of these shares, the Company's obligation for this additional compensation, in the amount of $114,125, is included in accounts payable.

Outstanding notes payable at March 31, 2000 were as follows:

<TABLE>

<S>	<C>	<C>
Private placement notes, net of discount	$466,708	
Stockholder notes - 12%	35,000	
Related party note	25,000	
Total		$526,708

</TABLE>

NOTE 7. - INCOME TAXES

The Company has elected under Internal Revenue Code, Section 174, to capitalize for income tax purposes all research and development expenditures incurred in conjunction with its product development process. Net costs associated with the research and development process amount to approximately $4,430,000 at March 31, 2000. When the Company realizes benefits from such expenditures, the costs will be amortized over a period of 60 months. The related deferred tax asset at March 31, 2000 was approximately $1,019,000, and at March 31, 1999 it was approximately $742,000.

A valuation allowance has been provided for 100 percent of the deferred tax asset as realization of the asset is contingent upon Food and Drug Administration approval of the Hemopurifier-TM- and the Company generating sufficient taxable income to offset the research and development amortization expenses.

NOTE 8. - RELATED PARTY TRANSACTIONS

In addition to the stockholder loans payable, the officers of the Company and other related entities have paid expenses on behalf of the Company. The officers have also advanced the Company funds to

cover short-term working capital shortages. These non interest-bearing amounts have been included as accounts payable - related parties in the accompanying financial statements.

NOTE 9 - OPTIONS AND WARRANTS

In addition to the warrants for 508,750 shares of common stock exercisable at $5 per share issued to noteholders (see Note 6), the Company has issued warrants for 3,750 shares exercisable at $6 per share and has agreed to issue warrants for 15,000 shares exercisable at $3 per share to certain parties in exchange for services rendered. The value for these warrants is based on the estimated fair value of the services rendered in the amount of $35,000.

In connection with the merger agreement among Aethlon Medical, Aethlon, Inc., and Hemex, a commitment was made to grant an option to the Company's Chief Executive Officer for 412,500 shares of common stock at $3 per share, the fair market value on the date of that commitment. This grant was formalized in a Stock Option Agreement dated April 1, 1999 which permits the option to be exercised between September 10, 2000 and September 11, 2005.

The Company applies APB Opinion No. 25 in accounting for stock options. Accordingly, no compensation expense has been charged to earnings

for the option referred to above since such option has an exercise price equal to 100% of market value on the date of grant. Had the Company adopted the provisions of FASB Statement No. 123, compensation expense for this option would have increased the Company's net loss for the fiscal year ended March 31, 2000 from $1,299,382 to $1,602,677, and the loss per share for this period would have increased from $.50 to $.61.

The fair value of the option was estimated using the Black-Scholes option pricing model using a risk-free interest rate of 5.51%, an expected term of 7.1 years, and an annual standard deviation (volatility) of 15%. The resultant fair value of this option is $1.06 per share.

NOTE 10 - SUBSEQUENT EVENT

On April 10, 2000, the Company acquired all the outstanding common stock of Cell Activation, Inc. ("Cell") in exchange for 99,152 shares of common stock of the Company. In addition, all the outstanding stock options of Cell were exchanged for options to purchase 50,148 shares of common stock of the Company at $.3933 per share. Following the transaction, Cell became a wholly-owned subsidiary of the Company and will operate as part of Aethlon Labs. The acquisition will be accounted for as a purchase.

NOTE 11 - FOURTH QUARTER ADJUSTMENTS

During the year ended March 31, 2000, the Company recognized an adjustment in the fourth quarter relating to the issuance of detachable warrants in connection with a private placement debt offering which took place throughout the year. The value allocated to these warrants was subsequently determined and recorded as a note discount and additional paid in capital (See Note 6). The portion of the $734,826 discount that relates to the second and third quarters amounts of $86,165 and $260,021, respectively. The amortization of the discount which would have been recorded as debt expense in these quarters amounts to $14,000 and $54,000, respectively.

Also related to this offering, the Company granted warrants to purchase 50,875 shares of the Company's common stock as debt placement fees. The value allocated to these warrants was subsequently determined and recorded (See Note 6). The portion of the $246,113 in deferred debt cost that relates to the second and third quarters amounts to $25,113 and $76,981, respectively. The amortization of the deferred debt costs which would have been recorded as debt expense in the periods amounts to approximately $4,000 and $16,000, respectively.

NOTE 12 - CONTINGENCIES

Effective January 1, 2000, the Company entered into an agreement under which an invention and related patent rights for a method of removing HIV and other viruses from the blood using the Hemex Hemopurifier were assigned to the Company. In addition to certain royalty payments to be made on future sales of the patented product, the consideration for the acquired rights included the issuance of 12,500 shares of the Company's common stock to the inventors on March 23, 2000. Upon the issuance of the first US letters patent relating to the invention, the Company is obligated to issue an additional 12,500 shares of common stock to the inventors. If the market price of the Company's common stock on the date the patent is issued is below $8 per share, then the number of shares to be issued will be that number which equates to $100,000. The total cost incurred by the Company as of March 31, 2000 in connection with this patent is $118,144. The Company will amortize the cost of this patent over a period ending with its expiration date, starting on the date the patent is issued.

AETHLON MEDICAL, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Three months ended		Six months ended		Cumulative During Development Stage through
	September 30, 2000	September 30, 1999	September 30, 2000	September 30, 1999	September 30, 2000
<S>	<C>	<C>	<C>	<C>	<C>
REVENUE					
Grant income	$ -	$ -	$ -	$ -	$ 1,430,799
Subcontract income	-	-	-	-	73,746

Sale of research and development	-	-	-	-	35,810
Other income	1,158	-	22,479	-	53,476
Interest income	-	-	-	-	17,415
Total revenue	1,158	-	22,479	-	1,611,246
EXPENSES					
Interest and debt expense	352,949	25,190	667,147	25,805	1,182,993
Personnel costs	184,654	116,606	345,706	204,693	3,650,831
Professional fees	46,801	75,060	100,240	140,789	671,478
Amortization-goodwill	43,721	-	84,907	-	97,602
Rent and office expense	32,206	18,758	61,328	34,158	553,042
Insurance	16,751	6,271	33,463	6,271	123,949
Travel and meetings	7,133	5,631	19,878	9,471	164,033
Laboratory supplies	7,249	-	13,731	-	116,114
Miscellaneous	13,288	3,502	17,402	3,520	122,332
Depreciation	3,788	2,439	7,833	4,764	142,751
Amortization-patents	2,043	3,502	4,086	5,545	46,985
Equipment and maintenance	3,513	-	5,480	-	170,802
R & D consultation	-	-		-	240,463
Subcontract expense	-	-		-	195,964
Contractual costs	-	-		-	192,112
Dues and subscriptions	-	-		-	13,596
Total expenses	714,096	256,959	1,361,201	435,016	7,685,047
LOSS BEFORE INCOME TAXES	(712,938)	(256,959)	(1,338,722)	(435,016)	(6,073,801)
PROVISION FOR INCOME TAXES	806	91	1,465	147	12,802
NET LOSS	$ (713,744)	$ (257,050)	$ (1,340,187)	$ (435,163)	$ (6,086,603)
PER SHARE:					
Net loss	$ (0.26)	$ (0.10)	$ (0.48)	$ (0.17)	$ (4.31)
Weighted average number of common shares outstanding	2,771,652	2,595,000	2,771,652	2,595,000	1,413,197

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	September 30, 2000 (unaudited)	March 31, 2000
ASSETS		
<S>	<C>	<C>
CURRENT ASSETS		
Cash	$ 1,677	$ 217,017
Accounts receivable	47,312	61,495
Prepaid expenses	24,764	36,940
Employee advances	12,300	15,800
Total current assets	86,053	331,252
PROPERTY AND EQUIPMENT, NET	34,683	41,535
OTHER ASSETS		
Patents and trademarks, net	401,759	177,065
Deferred debt expense, net	166,567	273,738
Goodwill, net	1,600,544	495,088
Other	1,330	1,330
Total other assets	2,170,200	947,221
Total assets	$ 2,290,936	$ 1,320,008
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
CURRENT LIABILITIES		
Accounts payable:		
Trade	$ 903,240	$ 740,562
Related parties	236,964	234,324
Notes payable, net of discount	1,043,453	526,708
Accrued liabilities	287,906	201,631
Deferred compensation	329,835	329,835
Total current liabilities	2,801,398	2,033,060
STOCKHOLDERS' DEFICIENCY		
Common stock - $.001 par value 25,000,000 shares authorized; 2,771,652 and 2,672,500 shares issued and outstanding	2,772	2,673
Additional paid in capital - common stock	4,092,132	3,290,865
Additional paid in capital - warrants and options	1,481,237	739,826
Deficit accumulated during development stage	(6,086,603)	(4,746,416)
Total stockholders' deficiency	(510,462)	(713,052)
Total liabilities and stockholders' deficiency	$ 2,290,936	$ 1,320,008

</TABLE>

See accompanying notes.

AETHLON MEDICAL, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Six months ended September 30, 2000	Six months ended September 30, 1999	Cumulative During Development Stage through September 30, 2000
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(1,340,187)	$ (435,163)	$(6,086,603)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	7,833	4,764	

</TABLE>

142,751			
Amortization-patents & goodwill	88,993	5,545	144,586
Amortization-debt expense & note discount	591,261	-	862,419
Services paid by issuance of warrants	8,373	-	13,373
Deferred compensation forgiven	-	-	217,223
(Increase) decrease in assets:			
Accounts receivable and advances	17,683	-	3,054
Prepaid expenses	18,566	-	
(18,374)			
Other assets	-	-	
(1,329)			
Increase (decrease) in liabilities:			
Accounts payable	23,912	101,021	621,896
Accrued liabilities	86,275	139,789	355,144
Deferred compensation	-	15,827	
329,834			

Net cash used by operating activities	(497,291)	(168,217)	
(3,416,026)			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(3,085)	(4,204)	
(173,989)			
Sale of equipment	4,000	-	
4,000			
Purchase of patents	-	-	
(120,564)			
Cash of acquired company	2,286	-	
10,728			

Net cash used by investing activities	(3,201)	(4,204)	
(279,825)			
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in notes payable	312,500	212,500	1,365,000
Deferred debt costs	(33,750)	(13,750)	
(148,500)			
Loans from stockholders	-	-	
370,384			
Advances from affiliate	-	-	
122,100			
Proceeds from issuance of common stock	-	-	1,988,544

Net cash provided by financing activities	278,750	198,750	3,697,528
NET INCREASE IN CASH	(215,750)	26,329	1,677
CASH, BEGINNING	217,017	3,052	
-			

CASH, END	$ 1,677	$ 29,381	$
1,677			
SUPPLEMENTAL DISCLOSURES OF CASH			
FLOW INFORMATION			
Cash paid during the period for:			
Interest	$ 58,319	$ -	$
100,626			
Income taxes	$ 559	-	
7,721			
SUPPLEMENTAL DISCLOSURES OF NONCASH			
INVESTING AND FINANCING ACTIVITIES			
Loans converted to common stock of Hemex	$ -	$ -	$ 435,094
Net assets of entities acquired in exchange			
for the issuance of common stock and options	$ 1,200,000	$ -	$ 1,839,014
Patent acquired for 12,500 shares of common stock	$ -	$ -	$ 100,000
Patent costs included in liabilities	$ 87,739	$ -	$ 87,739
Debt placement fees paid by issuance of warrants	$ 52,369	$ -	$ 298,482
Allocation of note proceeds to note discount	193,726	$ -	$ 928,552

</TABLE>

See accompanying notes.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIENCY

<TABLE>
<CAPTION>

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	PAID IN CAPITAL	PAID IN CAPITAL-WARRANTS and OPTIONS	ACCUMULATED DEFICIT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT MARCH 31, 2000	2,672,500	$ 2,673	$ 3,290,865	$ 739,826	$ (4,746,416)	$ (713,052)
Issuance of common stock and options for acquisition of Cell Activation	99,152	99	801,267	398,634		1,200,000
Warrants to acquire common stock issued with promissory notes				193,726		193,726
Warrants issued as compensation for sale of prommissory notes				134,888		134,888
Options granted to directors for fees				14,163		14,163
Net loss for the six months ended September 30, 2000					(1,340,187)	$ (1,340,187)
BALANCE AT SEPTEMBER 30, 2000	2,771,652	$ 2,772	$ 4,092,132	$ 1,481,237	$ (6,086,603)	$ (510,462)

</TABLE>

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2000

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Aethlon Medical, Inc. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended September 30, 2000 are not necessarily indicative of the results that may be expected for the year ending March 31, 2001. For further information, refer to the Company's Annual Report on Form 10-KSB for the year ended March 31, 2000, which includes audited financial statements and footnotes as of and for the years ended March 31, 2000 and 1999.

The consolidated financial statements include the accounts of Aethlon Medical, Inc. and its wholly owned subsidiaries, Hemex, Inc., Aethlon, Inc., Syngen Research, Inc., and Cell Activation, Inc. Syngen Research and Cell Activation are doing business as Aethlon Laboratories, Inc. All significant intercompany balances and transactions have been eliminated.

NOTE 2. CAPITAL TRANSACTION

On April 10, 2000, the Company acquired all the outstanding common stock of Cell Activation, Inc. ("Cell") in exchange for 99,152 shares of common stock of the Company. In addition, all the outstanding stock options of Cell were exchanged for options to purchase 50,848 shares of common stock of the Company for $.3933 per share. The options expire in 2007. The acquisition has been accounted for using the purchase method of accounting whereby the results of operations of Cell since the date of acquisition have been included in the accompanying Statement of Operations. The excess of the purchase price over the tangible assets acquired has been allocated $167,281 to patents and trademarks and $1,139,674 to goodwill. Patents will be amortized over their life from date of issuance, and goodwill

will be amortized over ten years. Had the Cell acquisition taken place on April 1, 1999, the impact on the Company's results of operations for the three and six months ended September 30, 1999 would have been immaterial.

NOTE 3. NOTES PAYABLE

During the quarters ended September 30, 2000 and June 30, 2000, the Company issued additional one-year promissory notes in the principal amount of $200,000 and $112,500, respectively. Detachable warrants to purchase 156,250 shares of the Company's common stock were issued in connection with these notes. Of the note proceeds, $117,173 was allocated to the warrants and recorded as note discount. The note discount is being amortized as additional interest expense over the one-year term of the related notes. At September 30, 2000, outstanding notes in the aggregate principal amount of $125,000 have reached their one-year maturity, and interest on such notes for periods after maturity is accruing at the annual rate of 15%.

NOTE 4. SUBSEQUENT EVENTS

In October 2000, the Company entered into an agreement with a financial institution for the issuance of 8% convertible notes. The initial offering is for $750,000, of which $375,000 was issued in November 2000 and the remaining $375,000 is expected to be issued before the end of December. The successful completion of this initial offering will enable the Company to continue its operations into the fourth fiscal quarter.

On November 6, 2000, the Company approved the issuance of options for 200,000 shares of its common stock to the Company's general counsel. The options are exercisable at $3.25 per share and expire on December 31, 2005.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

NONE

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Information regarding directors and executive officers of the Company will appear in the Proxy Statement of the Annual Meeting of Stockholders and is incorporated herein by this reference. The Proxy Statement will be filed with the SEC within 120 days following March 31, 2001.

ITEM 10. EXECUTIVE COMPENSATION

Information regarding executive compensation will appear in the Proxy Statement for the Annual Meeting of Stockholders and is incorporated herein by this reference.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management will appear in the Proxy Statement for the Annual Meeting of Stockholders and is incorporated herein by this reference.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from the information contained in this prospectus. This document may only be used where it is legal to sell the securities. The information in this document may only be accurate on the date of this document.

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3,200,000 SHARES
OF COMMON STOCK

AETHLON MEDICAL, INC.

PROSPECTUS

, 2001

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The Registrant estimates that expenses in connection with the distribution described in this Registration Statement will be as shown below. All expenses incurred with respect to the distribution, except for fees of counsel, if any, retained individually by the Selling Shareholders and any discounts or commissions payable with respect to sales of the shares, will be paid by AEMD. See "Plan of Distribution."

<TABLE>

<S>	<C>
SEC registration fee	$ 2,855.42
Printing expenses	5,000.00
Accounting fees and expenses	2,500.00
Legal fees and expenses	20,000.00
Total	$30,355.42

</TABLE>

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Reference is made to the General Corporation Law of the State of Nevada. As permitted by Nevada law, the Company's Articles of Incorporation contain an article limiting the personal liability of directors. The Articles of Incorporation provides that a director of the Company shall not be personally liable for any damages from any breach of fiduciary duty as a director, except for liability based on a judgment or other final adjudication adverse to him establishing that his acts or omissions were committed in bad faith or were the result of active or deliberate dishonesty and were material to the cause of action so adjudicated, or that he personally gained a financial profit or other advantage to which he was not legally entitled. The Company's Articles of Incorporation and Bylaws also provide for indemnification of all officers and directors of the Company to the fullest extent permitted by law.

The Company has entered into Indemnification Agreements ("Indemnification Agreements") with each of Clara M. Ambrus, Franklyn S. Barry, Jr., Edward G. Broenniman, James A. Joyce, Robert J. Lambrix, John M. Murray, John P. Penhune, and Richard H. Tullis (collectively, the "Indemnitees"). The Indemnification Agreements permit the Company to indemnify the Indemnitees for liabilities and expenses arising from certain actions taken by the Indemnitees for or on behalf of the Company and require indemnification in certain circumstances.

ITEM 16. EXHIBITS.

The following exhibits are filed or incorporated by reference as part of this Registration Statement.

<TABLE>
<CAPTION>

Exhibit No.	Description
3.1	Certificate of Amendment of Articles of Incorporation dated March 28, 2000 (6)
3.2	Bylaws of the Company (1)
5.1	Opinion of Counsel to the Company with respect to the legality of the shares*
10.1	Employment Agreement between the Company and Franklyn S. Barry, Jr. dated April 1, 1999 (2)
10.2	Employment Agreement between the Company and James A. Joyce dated April 1, 1999 (2)
10.3	Agreement and Plan of Reorganization Between the Company and Aethlon, Inc. dated March 10, 1999 (3)
10.4	Agreement and Plan of Reorganization Between the Company and Hemex, Inc. dated March 10, 1999 (3)
10.5	Agreement and Plan of Reorganization Between the Company and Syngen Research, Inc. (4)
10.6	Agreement and Plan of Reorganization Between the Company and Cell Activation, Inc. (5)
10.7	Subscription Agreement, dated November 1, 2000, between the Company and certain Subscribers
10.8	Convertible Note dated November 1, 2000 issued in connection with the Subscription Agreement
10.9	Common Stock Purchase Warrant dated November 1, 2000 issued in connection with the Subscription Agreement
23.1	Consent of Counsel (included in the Opinion of Counsel filed as Exhibit 5.1)
23.2	Independent Auditors' Consent - Freed, Maxick, Sachs & Murphy, P.C.

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(1) Filed with Company's Registration Statement on Form SB-2 and incorporated by reference.
(2) Filed with Company's Annual Report on Form 10 KSB for the year ended March 31, 1999.
(3) Filed with Company's Current Report on Form 8-K dated March 10, 1999.
(4) Filed with Company's Current Report on Form 8-K dated January 10, 2000.
(5) Filed with Company's Current Report on Form 8-K dated March 31, 2000.
(6) Filed with Company's Current Report on Form 10 KSB for the year ended March 31, 2000.

*To be filed by Amendment.

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 the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the 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 a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the

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; and

(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

(b) For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement 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.

(c) Insofar as indemnification for liabilities arising under the Securities Act 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 Securities 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 Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Buffalo, State of New York, on December 18, 2000.

AETHLON MEDICAL, INC.

By: /S/ FRANKLYN S. BARRY, JR.

Franklyn S. Barry, Jr., Chief Executive Officer

By: /S/ JOHN M. MURRAY

John M. Murray, Chief Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<S>	<C>	<C>
/S/ JAMES A. JOYCE - ---------- James A. Joyce	Chairman of the Board	
/S/ CLARA M. AMBRUS - ---------- Clara M. Ambrus	Director	
/S/ FRANKLYN S. BARRY, JR.	Director	

- ---------------------------
Franklyn S. Barry, Jr.

/S/ EDWARD G. BROENNIMAN — Director
- ---------------------------
Edward G. Broenniman

/S/ ROBERT J. LAMBRIX — Director
- ---------------------------
Robert J. Lambrix

/S/ JOHN P. PENHUNE — Director
- ---------------------------
John P. Penhune

/S/ RICHARD H. TULLIS — Director
- ---------------------------
Richard H. Tullis
</TABLE>

EXHIBITS INDEX

EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NUMBER	NAME OF EXHIBIT	NUMBERED PAGE	SEQUENTIALLY
<S>	<C>	<C>	<C>
3.1	Certificate of Amendment of Articles of Incorporation dated March 28, 2000 (6)		
3.2	Bylaws of the Company (1)		
5.1	Opinion of Counsel to the Company with respect to the legality of the shares*		
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*To be filed by Amendment.

EXHIBIT 10.7

SUBSCRIPTION AGREEMENT

Dear Subscriber:

You (the "Subscriber") hereby agree to purchase, and Aethlon Medical, Inc., a Nevada corporation (the "Company") hereby agrees to issue and to sell to the Subscriber, 8% Convertible Notes (the "Notes") convertible in accordance with the terms thereof into shares of the Company's $.001 par value common stock (the "Company Shares") for the aggregate consideration as set forth on the signature page hereof ("Purchase Price"). The form of Convertible Note is annexed hereto as Exhibit A. (The Company Shares included in the Securities (as hereinafter defined) are sometimes referred to herein as the "Shares" or "Common Stock"). (The Notes, the Company Shares, Common Stock Purchase Warrants ("Warrants") issuable to the recipients identified on Schedule B hereto, the Common Stock issuable upon exercise of the Warrants, and the Put Securities (as herein defined) are collectively referred to herein as, the "Securities"). Upon acceptance of this Agreement by the Subscriber, the Company shall issue and deliver to the Subscriber the Note against payment, by federal funds (U.S.) wire transfer of the Purchase Price.

The following terms and conditions shall apply to this subscription.

1. SUBSCRIBER'S REPRESENTATIONS AND WARRANTIES. The Subscriber hereby represents and warrants to and agrees with the Company that:

(a) INFORMATION ON COMPANY. The Subscriber has been furnished with the Company's Form 10-KSB for the year ended March 31, 2000 as filed with the Securities and Exchange Commission (the "Commission") together with all subsequently filed forms 10-QSB (hereinafter referred to as the "Reports"). In addition, the Subscriber has received from the Company such other information concerning its operations, financial condition and other matters as the Subscriber has requested, and considered all factors the Subscriber deems material in deciding on the advisability of investing in the Securities (such information in writing is collectively, the "Other Written Information").

(b) INFORMATION ON SUBSCRIBER. The Subscriber is an "accredited investor", as such term is defined in Regulation D promulgated by the Commission under the Securities Act of 1933, as amended (the "1933 Act"), is experienced in investments and business matters, has made investments of a speculative nature and has purchased securities of United States publicly-owned companies in private placements in the past and, with its representatives, has such knowledge and experience in financial, tax and other business matters as to enable the Subscriber to utilize the information made available by the Company to evaluate the merits and risks of and to make an informed investment decision with respect to the proposed purchase, which represents a speculative investment. The Subscriber has the authority and is duly and legally qualified to purchase and own the Securities. The Subscriber is able to bear the risk of such investment for an indefinite period and to afford a complete loss thereof. The information set forth on the signature page hereto regarding the Subscriber is accurate.

(c) PURCHASE OF NOTE. On the Closing Date, the Subscriber will purchase the Note for its own account and not with a view to any distribution thereof.

(d) COMPLIANCE WITH SECURITIES ACT. The Subscriber understands and agrees that the Securities have not been registered under the 1933 Act, by reason of their issuance in a transaction that does not require registration under the 1933 Act (based in part on the accuracy of the representations and

warranties of Subscriber contained herein), and that such Securities must be held unless a subsequent disposition is registered under the 1933 Act or is exempt from such registration.

(e) COMPANY SHARES LEGEND. The Company Shares, and the shares of Common Stock issuable upon the exercise of the Warrants, shall bear the following legend:

> "THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SHARES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH SECURITIES ACT OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO AETHLON MEDICAL, INC. THAT SUCH REGISTRATION IS NOT REQUIRED."

(f) WARRANTS LEGEND. The Warrants shall bear the following legend:

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

(g) NOTE LEGEND. The Note shall bear the following legend:

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

(h) COMMUNICATION OF OFFER. The offer to sell the Securities was directly communicated to the Subscriber. At no time was the Subscriber presented with or solicited by any leaflet, newspaper or magazine article, radio or television advertisement, or any other form of general advertising or solicited or invited to attend a promotional meeting otherwise than in connection and concurrently with such communicated offer.

(i) CORRECTNESS OF REPRESENTATIONS. The Subscriber represents that the foregoing representations and warranties are true and correct as of the date hereof and, unless the Subscriber otherwise

notifies the Company prior to the Closing Date (as hereinafter defined), shall be true and correct as of the Closing Date. The foregoing representations and warranties shall survive the Closing Date.

2. COMPANY REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to and agrees with the Subscriber that:

(a) DUE INCORPORATION. The Company and each of its subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the respective jurisdictions of their incorporation and have the requisite corporate power to own their properties and to carry on their business as now being conducted. The Company and each of its subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction where the nature of the business conducted or property owned by it makes such qualification necessary, other than those jurisdictions in which the failure to so qualify would not have a material adverse effect on the business, operations or prospects or condition (financial or otherwise) of the Company.

(b) OUTSTANDING STOCK. All issued and outstanding shares of capital stock of the Company and each of its subsidiaries has been duly authorized and validly issued and are fully paid and non-assessable.

(c) AUTHORITY; ENFORCEABILITY. This Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding agreement enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity; and the Company has full corporate power and authority necessary to enter into this Agreement and to perform its obligations hereunder and all other agreements entered into by the Company relating hereto.

(d) ADDITIONAL ISSUANCES. There are no outstanding agreements or preemptive or similar rights affecting the Company's common stock or equity and no outstanding rights, warrants or options to acquire, or instruments convertible into or exchangeable for, or agreements or understandings with respect to the sale or issuance of any shares of common stock or equity of the Company or other equity interest in any of the subsidiaries of the Company, except as described in the Reports or Other Written Information.

(e) CONSENTS. No consent, approval, authorization or order of any court, governmental agency or body or arbitrator having jurisdiction over the Company, or any of its affiliates, the NASD, NASDAQ or the Company's Shareholders is required for execution of this Agreement, and all other agreements entered into by the Company relating thereto, including,

without limitation issuance and sale of the Securities, and the performance of the Company's obligations hereunder.

(f) NO VIOLATION OR CONFLICT. Assuming the representations and warranties of the Subscriber in Paragraph 1 are true and correct and the Subscriber complies with its obligations under this Agreement, neither the issuance and sale of the Securities nor the performance of its obligations under this Agreement and all other agreements entered into by the Company relating thereto by the Company will:

(i) violate, conflict with, result in a breach of, or constitute a default (or an event which with the giving of notice or the lapse of time or both would be reasonably likely to constitute a default) under (A) the articles of incorporation, charter or bylaws of the Company or any of its affiliates, (B) to the Company's knowledge, any decree, judgment, order, law, treaty, rule, regulation or determination applicable to the Company or any of its affiliates of any court, governmental agency or body, or arbitrator having jurisdiction over the Company or any of its affiliates or over the properties or assets of the Company or any of its affiliates, (C) the terms of any bond, debenture, note or any other evidence of indebtedness, or any

agreement, stock option or other similar plan, indenture, lease, mortgage, deed of trust or other instrument to which the Company or any of its affiliates is a party, by which the Company or any of its affiliates is bound, or to which any of the properties of the Company or any of its affiliates is subject, or (D) the terms of any "lock-up" or similar provision of any underwriting or similar agreement to which the Company, or any of its affiliates is a party; or

(ii) result in the creation or imposition of any lien, charge or encumbrance upon the Securities or any of the assets of the Company, or any of its affiliates.

(g) THE SECURITIES. The Securities upon issuance:

(i) are, or will be, free and clear of any security interests, liens, claims or other encumbrances, subject to restrictions upon transfer under the 1933 Act and State laws;

(ii) have been, or will be, duly and validly authorized and on the date of issuance and on the Closing Date, as hereinafter defined, and the date the Note is converted, and the Warrants are exercised, the Securities will be duly and validly issued, fully paid and nonassessable (and if registered pursuant to the 1933 Act, and resold pursuant to an effective registration statement will be free trading and unrestricted, provided that the Subscriber complies with the Prospectus delivery requirements);

(iii) will not have been issued or sold in violation of any preemptive or other similar rights of the holders of any securities of the Company; and

(iv) will not subject the holders thereof to personal liability by reason of being such holders.

(h) LITIGATION. There is no pending or, to the best knowledge of the Company, threatened action, suit, proceeding or investigation before any court, governmental agency or body, or arbitrator having jurisdiction over the Company, or any of its affiliates that would affect the execution by the Company or the performance by the Company of its obligations under this Agreement, and all other agreements entered into by the Company relating hereto.

(i) REPORTING COMPANY. The Company is a publicly-held company whose common stock is registered pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the "1934 Act"). The Company's common stock is trading on the NASD OTC Bulletin Board ("Bulletin Board"). Pursuant to the provisions of the 1934 Act, the Company has timely filed all reports and other materials required to be filed thereunder with the Securities and Exchange Commission during the preceding twelve months.

(j) NO MARKET MANIPULATION. The Company has not taken, and will not take, directly or indirectly, any action designed to, or that might reasonably be expected to, cause or result in stabilization or manipulation of the price of the common stock of the Company to facilitate the sale or resale of the Securities or affect the price at which the Securities may be issued.

(k) INFORMATION CONCERNING COMPANY. The Reports and Other Written Information contain all material information relating to the Company and its operations and financial condition as of their respective dates which information is required to be disclosed therein. Since the date of the financial statements included in the Reports, and except as modified in the Other Written Information, there has been no material adverse change in the Company's business, financial condition or affairs not disclosed in the Reports.

The Reports and Other Written Information do not contain any untrue statement of a material

fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Subscriber acknowledges that the Company announced a modification of its developmental priorities in a press release dated October 2, 2000, and that a copy of this press release is included in Other Written Information.

(l) DILUTION. The number of Shares issuable upon conversion of the Note may increase substantially in certain circumstances, including, but not necessarily limited to, the circumstance wherein the trading price of the Common Stock declines prior to conversion of the Note. The Company's executive officers and directors have studied and fully understand the nature of the Securities being sold hereby and recognize that they have a potential dilutive effect. The board of directors of the Company has concluded, in its good faith business judgment, that such issuance is in the best interests of the Company. The Company specifically acknowledges that its obligation to issue the Shares upon conversion of the Note and exercise of the Warrants is binding upon the Company and enforceable, except as otherwise described in this Subscription Agreement or the Note, regardless of the dilution such issuance may have on the ownership interests of other shareholders of the Company.

(m) STOP TRANSFER. The Securities are restricted securities as of the date of this Agreement. The Company will not issue any stop transfer order or other order impeding the sale and delivery of the Securities, except as may be required by federal securities laws.

(n) DEFAULTS. Neither the Company nor any of its subsidiaries is in violation of its Articles of Incorporation or ByLaws. Neither the Company nor any of its subsidiaries is (i) in default under or in violation of any other material agreement or instrument to which it is a party or by which it or any of its properties are bound or affected, which default or violation would have a material adverse effect on the Company, (ii) in default with respect to any order of any court, arbitrator or governmental body or subject to or party to any order of any court or governmental authority arising out of any action, suit or proceeding under any statute or other law respecting antitrust, monopoly, restraint of trade, unfair competition or similar matters, or (iii) to its knowledge in violation of any statute, rule or regulation of any governmental authority which violation would have a material adverse effect on the Company.

(o) NO INTEGRATED OFFERING. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales of any security or solicited any offers to buy any security under circumstances that would cause the offering of the Securities pursuant to this Agreement to be integrated with prior offerings by the Company for purposes of the 1933 Act or any applicable stockholder approval provisions, including, without limitation, under the rules and regulations of the Bulletin Board, as applicable, nor will the Company or any of its affiliates or subsidiaries take any action or steps that would cause the offering of the Securities to be integrated with other offerings.

(p) NO GENERAL SOLICITATION. Neither the Company, nor any of its affiliates, nor to its knowledge, any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Act) in connection with the offer or sale of the Securities.

(q) LISTING. The Company's Common Stock is listed for trading on the Bulletin Board and satisfies all requirements for the continuation of such listing. The Company has not received any notice that its common stock will be delisted from the Bulletin Board or that the Common Stock does not meet all requirements for the continuation of such listing.

(r) NO UNDISCLOSED LIABILITIES. The Company has no liabilities or obligations which are material, individually or in the aggregate, which are not disclosed in the Reports and Other Written

Information, other than those incurred in the ordinary course of the Company's businesses since June 30, 2000 and which, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Company's financial condition.

(s) NO UNDISCLOSED EVENTS OR CIRCUMSTANCES. Since June 30, 2000, no event or circumstance has occurred or exists with respect to the Company or its businesses, properties, prospects, operations or financial condition, that, under applicable law, rule or regulation, requires public disclosure or announcement prior to the date hereof by the Company but which has

not been so publicly announced or disclosed in the Reports.

(t) CORRECTNESS OF REPRESENTATIONS. The Company represents that the foregoing representations and warranties are true and correct as of the date hereof in all material respects, will be true and correct as of the Closing Date, and, unless the Company otherwise notifies the Subscriber prior to the Closing Date, shall be true and correct in all material respects as of the Closing Date. The foregoing representations and warranties shall survive the Closing Date.

3. REGULATION D OFFERING. This Offering is being made pursuant to the exemption from the registration provisions of the Securities Act of 1933, as amended, afforded by Rule 506 of Regulation D promulgated thereunder. On the Closing Date, the Company will provide an opinion acceptable to Subscriber from the Company's legal counsel opining on the availability of the Regulation D exemption as it relates to the offer and issuance of the Securities. A form of the legal opinion is annexed hereto as Exhibit C. The Company will provide, at the Company's expense, such other legal opinions in the future as are reasonably necessary for the conversion of the Note and exercise of the Warrants.

4. REISSUANCE OF SECURITIES. The Company agrees to reissue certificates representing the Securities without the legends set forth in Sections 1(e) and 1(f) above at such time as (a) the holder thereof is permitted to and disposes of such Securities pursuant to Rule 144(d) and/or Rule 144(k) under the 1933 Act in the opinion of counsel reasonably satisfactory to the Company, or (b) upon resale subject to an effective registration statement after the Securities are registered under the 1933 Act. The Company agrees to cooperate with the Subscriber in connection with all resales pursuant to Rule 144(d) and Rule 144(k) and provide legal opinions necessary to allow such resales provided the Company and its counsel receive all reasonably requested representations from the Subscriber and selling broker, if any. If the Company fails to remove any legend as required by this Section 4 (a "Legend Removal Failure"), then beginning on the tenth (10th) day following such failure, the Company continues to fail to remove such legend, the Company shall pay to each Subscriber or assignee holding shares subject to a Legend Removal Failure an amount equal to one percent (1%) of the Purchase Price of the shares subject to a Legend Removal Failure per day that such failure continues. If during any twelve (12) month period, the Company fails to remove any legend as required by this Section 4 for an aggregate of thirty (30) days, each Subscriber or assignee holding Securities subject to a Legend Removal Failure may, at its option, require the Company to purchase all or any portion of the Securities subject to a Legend Removal Failure held by such Subscriber or assignee at a price per share equal to 120% of the applicable Purchase Price.

5. REDEMPTION. The Company may not redeem the Securities without the consent of the holder of the Securities except as otherwise described herein.

6. FEES/WARRANTS.

(a) The Company shall pay to counsel to the Subscriber its fees, up to a maximum of $22,500 for services rendered to Subscribers in connection with this Agreement and the other Subscription Agreements for aggregate subscription amounts of up to $375,000 (the "Initial Offering"), and

acting as escrow agent for the Initial Offering. The Company will pay to the Finders identified on Schedule B hereto a cash fee in the amount of: ten percent (10%) of the initial $375,000 of Purchase Price and aggregate Put Purchase Price (defined in Section 11.1(a) hereto), and set forth on the signature page hereto ("Finder's Fee"); and 4% of gross cash proceeds thereafter. The Finder's Fee must be paid each Closing Date and Put Closing Date with respect to the Notes issued on such date. The Finder's Fee and legal fees will be payable out of funds held pursuant to a Funds Escrow Agreement to be entered into by the Company, Subscriber and an Escrow Agent.

(b) The Company will also issue and deliver to the Warrant Recipients identified on Schedule B hereto, Warrants in the amounts designated on Schedule B hereto in connection with the Initial Offering and exercise of the Put. A form of Warrant is annexed hereto as Exhibit D. The per share "Purchase Price" of Common Stock as defined in the Warrant shall be equal to one hundred and ten percent (110%) of the closing price of the Common Stock for the trading day preceding but not including the Closing Date or Put Closing Date, as the case may be, as reported on the NASD OTC Bulletin Board, NASDAQ SmallCap Market, NASDAQ National Market System, American Stock Exchange, or New York Stock Exchange (whichever of the foregoing is at the time the principal trading exchange or market for the Common Stock, the "Principal Market"), or such other principal market or exchange where the Common Stock is listed or traded. The aggregate number of Common Shares purchasable upon exercise of the Warrants is equal to the number of Common Shares that would be issued on a Closing Date or Put Closing Date if the Notes or Put Notes issued on such closing dates were converted on such closing date at the Conversion Price set

forth in Section 2.1(b)(i) of the Note. Failure to timely deliver the Warrants or Finder's Fee shall be deemed an Event of Default as defined in Article III of the Note and Put Note.

(c) The Finder's Fee and legal fees will be paid to the Finders and attorneys only when, as, and if a corresponding subscription amount is released from escrow to the Company and out of the escrow proceeds. All the representations, covenants, warranties, undertakings, and indemnification, other rights including but not limited to registration rights, and rights in Section 9 hereof, made or granted to or for the benefit of the Subscriber are hereby also made and granted to the Warrant Recipients in respect of the Warrants and Company Shares issuable upon exercise of the Warrants.

(d) The holders of the Warrants are granted all the rights, undertakings, remedies, liquidated damages and indemnification granted to the Subscriber in connection with the Note, including but not limited to, the rights and procedures set forth in Section 9 hereof and the registration rights described in Section 10 hereof.

7. COVENANTS OF THE COMPANY. The Company covenants and agrees with the Subscriber as follows:

(a) The Company will advise the Subscriber, promptly after it receives notice of issuance by the Securities and Exchange Commission, any state securities commission or any other regulatory authority of any stop order or of any order preventing or suspending any offering of any securities of the Company, or of the suspension of the qualification of the Common Stock of the Company for offering or sale in any jurisdiction, or the initiation of any proceeding for any such purpose.

(b) The Company shall promptly secure the listing of the Company Shares, and Common Stock issuable upon the exercise of the Warrants upon each national securities exchange, or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and shall maintain such listing so long as any other shares of Common Stock shall be so listed. The Company will maintain the listing of its Common Stock on a Principal Market, and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the

National Association of Securities Dealers ("NASD") and such exchanges, as applicable. The Company will provide the Subscriber copies of all notices it receives notifying the Company of the threatened and actual delisting of the Common Stock from any Principal Market.

(c) The Company shall notify the SEC, NASD and applicable state authorities, in accordance with their requirements, of the transactions contemplated by this Agreement, and shall take all other necessary action and proceedings as may be required and permitted by applicable law, rule and regulation, for the legal and valid issuance of the Securities to the Subscriber and promptly provide copies thereof to Subscriber.

(d) Until at least two (2) years after the effectiveness of the Registration Statement on Form SB-2 or such other Registration Statement described in Section 10.1(iv) hereof, the Company will (i) cause its Common Stock to continue to be registered under Sections 12(b) or 12(g) of the Exchange Act, (ii) comply in all respects with its reporting and filing obligations under the Exchange Act, (iii) comply with all reporting requirements that is applicable to an issuer with a class of Shares registered pursuant to Section 12(g) of the Exchange Act, and (iv) comply with all requirements related to any registration statement filed pursuant to this Agreement. The Company will not take any action or file any document (whether or not permitted by the Act or the Exchange Act or the rules thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under said Acts until the later of (y) two (2) years after the effective date of the Registration Statement on Form SB-2 or such other Registration Statement described in Section 10.1(iv) hereof, or (z) the sale by the Subscribers and Warrant Recipients of all the Company Shares, Securities and Put Securities issuable by the Company pursuant to this Agreement. Until at least two (2) years after the Warrants have been exercised, the Company will use its commercial best efforts to continue the listing of the Common Stock on the Bulletin Board and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the NASD and NASDAQ.

(e) The Company undertakes to use the proceeds of the Subscriber's funds for the purposes set forth on Schedule 7(e) hereto. Except as set forth on Schedule 7(e) hereto, Note Purchase Price and Put Note Purchase Price may not and will not be used to pay debt or non-trade obligations outstanding on the Closing Date or Put Closing Date.

(f) The Company undertakes to acquire within three months of the Closing Date a standard officers and directors errors and

omissions liability insurance policy covering the transactions contemplated in this Agreement.

(g) The Company undertakes to reserve pro rata on behalf of each holder of a Note, Put Note or Warrant, from its authorized but unissued Common Stock, at all times that Notes, Put Notes or Warrants remain outstanding, a number of Common Shares equal to not less than 200% of the amount of Common Shares necessary to allow each such holder to be able to convert all such outstanding Notes and Put Notes, at the then applicable Conversion Price and one Common Share for each Common Share issuable upon exercise of the Warrants.

8. COVENANTS OF THE COMPANY AND SUBSCRIBER REGARDING IDEMNIFICATION.

(a) The Company agrees to indemnify, hold harmless, reimburse and defend Subscriber, Subscriber's officers, directors, agents, affiliates, control persons, and principal shareholders, against any claim, cost, expense, liability, obligation, loss or damage (including reasonable legal fees) of any nature, incurred by or imposed upon Subscriber or any such person which results, arises out of or is based upon (i) any misrepresentation by Company or breach of any warranty by Company in this Agreement or in any

Exhibits or Schedules attached hereto; or (ii) after any applicable notice and/or cure periods, any breach or default in performance by the Company of any covenant or undertaking to be performed by the Company hereunder, or any other agreement entered into by the Company and Subscribers relating hereto.

(b) Subscriber agrees to indemnify, hold harmless, reimburse and defend the Company and each of the Company's officers and directors at all times against any claim, cost, expense, liability, obligation, loss or damage (including reasonable legal fees) of any nature, incurred by or imposed upon the Company or any such person which results, arises out of or is based upon (i) any misrepresentation by Subscriber in this Agreement or in any Exhibits or Schedules attached hereto; or (ii) after any applicable notice and/or cure periods, any breach or default in performance by Subscriber of any covenant or undertaking to be performed by Subscriber hereunder, or any other agreement entered into by the Company and Subscribers relating hereto.

(c) The procedures set forth in Section 10.6 shall apply to the indemnifications set forth in Sections 8(a) and 8(b) above.

9.1. CONVERSION OF NOTE.

(a) Upon the conversion of the Note or part thereof, the Company shall, at its own cost and expense, take all necessary action (including the issuance of an opinion of counsel) to assure that the Company's transfer agent shall issue stock certificates in the name of Subscriber (or its nominee) or such other persons as designated by Subscriber and in such denominations to be specified at conversion representing the number of shares of common stock issuable upon such conversion. The Company warrants that no instructions other than these instructions have been or will be given to the transfer agent of the Company's Common Stock and that the Shares will be unlegended, free-trading, and freely transferable, and will not contain a legend restricting the resale or transferability of the Company Shares provided the Shares are being sold pursuant to an effective registration statement covering the Shares to be sold or are otherwise exempt from registration when sold.

(b) Subscriber will give notice of its decision to exercise its right to convert the Note or part thereof by telecopying an executed and completed Notice of Conversion (as defined in the Note) to the Company. The Subscriber will not be required to surrender the Note until the Note has been fully converted or satisfied. Each date on which a Notice of Conversion is telecopied to the Company in accordance with the provisions hereof shall be deemed a Conversion Date. The Company will or cause the transfer agent to transmit the Company's Common Stock certificates representing the Shares issuable upon conversion of the Note (and a Note representing the balance of the Note not so converted, if requested by Subscriber) to the Subscriber via express courier for receipt by such Subscriber within five (5) business days after receipt by the Company of the Notice of Conversion (the "Delivery Date"). To the extent that a Subscriber elects not to surrender a Note for reissuance upon partial payment or conversion, the Subscriber hereby indemnifies the Company against any and all loss or damage attributable to a third-party claim in an amount in excess of the actual amount then due under the Note.

(c) The Company understands that a delay in the delivery of the Shares in the form required pursuant to Section 9 hereof, or the Mandatory Redemption Amount described in Section 9.2 hereof, beyond the Delivery Date or Mandatory Redemption Payment Date (as hereinafter defined) could result in economic loss to the Subscriber. As compensation to the Subscriber for such loss, the Company agrees to pay late payments to the Subscriber for late issuance of Shares in the form required pursuant to Section 9 hereof upon

Conversion of the Note or late payment of the Mandatory Redemption Amount, in the amount of $100 per business day after the Delivery Date or Mandatory Redemption Payment Date, as the case may be, for each $10,000 of Note principal amount being converted or redeemed. The Company shall pay any

payments incurred under this Section in immediately available funds upon demand. Furthermore, in addition to any other remedies which may be available to the Subscriber, in the event that the Company fails for any reason to effect delivery of the Shares by the Delivery Date or make payment by the Mandatory Redemption Payment Date, the Subscriber will be entitled to revoke all or part of the relevant Notice of Conversion or rescind all or part of the notice of Mandatory Redemption by delivery of a notice to such effect to the Company whereupon the Company and the Subscriber shall each be restored to their respective positions immediately prior to the delivery of such notice, except that late payment charges described above shall be payable through the date notice of revocation or rescission is given to the Company.

(d) Nothing contained herein or in any document referred to herein or delivered in connection herewith shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest or dividends required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Company to the Subscriber and thus refunded to the Company.

9.2. MANDATORY REDEMPTION. In the event the Company is prohibited from issuing Shares or fails to timely deliver Shares on a Delivery Date or during the pendency of an Approval Default for any reason other than pursuant to the limitations set forth in Section 9.3 hereof, then at the Subscriber's election, the Company must pay to the Subscriber five (5) business days after request by the Subscriber or on the Delivery Date (if requested by the Subscriber) a sum of money determined by multiplying the principal amount of the Note designated by the Subscriber by 130%, together with accrued but unpaid interest thereon ("Mandatory Redemption Payment"). The Mandatory Redemption Payment must be received by the Subscriber on the same date as the Company Shares otherwise deliverable or within five (5) business days after request, whichever is sooner ("Mandatory Redemption Payment Date"). Upon receipt of the Mandatory Redemption Payment, the corresponding Note principal and interest will be deemed paid and no longer outstanding.

9.3. MAXIMUM CONVERSION. The Subscriber shall not be entitled to convert on a Conversion Date that amount of the Note in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by the Subscriber and its affiliates on a Conversion Date, and (ii) the number of shares of Common Stock issuable upon the conversion of the Note with respect to which the determination of this proviso is being made on a Conversion Date, which would result in beneficial ownership by the Subscriber and its affiliates of more than 9.99% of the outstanding shares of Common Stock of the Company on such Conversion Date. For the purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder. Subject to the foregoing, the Subscriber shall not be limited to aggregate conversions of only 9.99%. The Subscriber may void the conversion limitation described in this Section 9.3 upon 75 days prior notice to the Company. The Subscriber may allocate which of the equity of the Company deemed beneficially owned by the Subscriber shall be included in the 9.99% amount described above and which shall be allocated to the excess above 9.99%.

9.4. INJUNCTION - POSTING OF BOND. The Company may not refuse conversion of a Note based on any claim that such Subscriber or any one associated or affiliated with such Subscriber has been engaged in any violation of law, or for any other reason, unless, an injunction from a court, on notice, restraining and or enjoining conversion of all or part of said Note shall have been sought and obtained and the Company posts a surety bond for the benefit of such Subscriber in the amount of 130% of the amount of the Note, which is subject to the injunction, which bond shall remain in effect until the completion of

arbitration/litigation of the dispute and the proceeds of which shall be payable to such Subscriber to the extent it obtains judgment.

9.5. BUY-IN. In addition to any other rights available to the Subscriber, if the Company fails to deliver to the Subscriber such shares issuable upon conversion of a Note by the Delivery Date and if after the Delivery Date the Subscriber purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Subscriber of the Common Stock which the Subscriber anticipated receiving upon

such conversion (a "Buy-In"), then the Company shall pay in cash to the Subscriber (in addition to any remedies available to or elected by the Subscriber) the amount by which (A) the Subscriber's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (B) the aggregate principal and/or interest amount of the Note for which such conversion was not timely honored, together with interest thereon at a rate of 15% per annum, accruing until such amount and any accrued interest thereon is paid in full (which amount shall be paid as liquidated damages and not as a penalty). For example, if the Subscriber purchases shares of Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of $10,000 of note principal and/or interest, the Company shall be required to pay the Subscriber $1,000, plus interest. The Subscriber shall provide the Company written notice indicating the amounts payable to the Subscriber in respect of the Buy-In.

9.6. OPTIONAL REDEMPTION. The Company will have the option of redeeming any outstanding Notes and outstanding Put Notes ("Optional Redemption") by paying to the Subscriber a sum of money equal to the principal amount of the Note or Put Note together with accrued but unpaid interest thereon ("Redemption Amount") outstanding on the day notice of redemption ("Notice of Redemption) is given to a Subscriber ("Redemption Date"). A Notice of Redemption may not be given in connection with any portion of Note or Put Note for which notice of conversion has been given by the Subscriber at any time before receipt of a Notice of Redemption. The Subscriber may elect within seven (7) business days after receipt of a Notice of Redemption to give the Company Notice of Conversion in connection with some or all of the Note and Put Note principal and interest which was the subject of the Notice of Redemption provided the Conversion Price elected by the Subscriber is the Maximum Base Price set forth in Section 2.1(b)(i) of the Note or Put Note. A Notice of Redemption must be accompanied by a certificate signed by the chief executive officer or chief financial officer of the Company stating that the Company has on deposit and segregated ready funds equal to the Redemption Amount. The Redemption Amount must be paid in good funds to the Subscriber no later than the fifth (5th) business day after the Redemption Date. In the event the Company fails to pay the Redemption Amount by such date, then the Redemption Notice will be null and void and the Company will thereafter have no further right to effect an Optional Redemption. Such failure will also be deemed an Event of Default under the Note and Put Note. Any Notice of Redemption must be given to all holders of Notes and Put Notes issued in connection with the Initial Offering, in proportion to their holdings of Note and Put Note principal on a Redemption Date. A Notice of Redemption may be given by the Company, provided (i) no Event of Default, as described in the Note shall have occurred or be continuing; (ii) the Company Shares issuable upon conversion of the full outstanding Note and Put Note principal are included in a registration statement effective as of the Redemption Date; and (iii) the Maximum Base Price is less than the Conversion Price calculated on the Redemption Date pursuant to Section 2.1(b)(i) of the Note or Put Note. Put Note proceeds may not be used to effect an Optional Redemption.

10.1. REGISTRATION RIGHTS. The Company hereby grants the following registration rights to holders of the Securities.

(i) On one occasion, for a period commencing 121 days after the Closing Date, but not later than four years after the Closing Date ("Request Date"), the Company, upon a written request therefor from any record holder or holders of more than 50% of the aggregate of the Company's Shares issued

and issuable upon Conversion of the Note and the Put Notes which are actually issued (the Common Stock issued or issuable upon conversion or exercise of the Securities, Put Securities and securities issued or issuable by virtue of ownership of the Securities, and Put Securities, being, the "Registrable Securities"), shall prepare and file with the SEC a registration statement under the Act covering the Registrable Securities which are the subject of such request, unless such Registrable Securities are the subject of an effective registration statement. In addition, upon the receipt of such request, the Company shall promptly give written notice to all other record holders of the Registrable Securities that such registration statement is to be filed and shall include in such registration statement Registrable Securities for which it has received written requests within 10 days after the Company gives such written notice. Such other requesting record holders shall be deemed to have exercised their demand registration right under this Section 10.1(i). As a condition precedent to the inclusion of Registrable Securities, the holder thereof shall provide the Company with such information as the Company reasonably requests. The obligation of the Company under this Section 10.1(i) shall be limited to one registration statement.

(ii) If the Company at any time proposes to register any of its securities under the Act for sale to the public, whether for its own account or for the account of other security holders or both, except with respect to registration statements on Forms S-4, S-8 or another form not available for registering the Registrable Securities for sale to the public,

provided the Registrable Securities are not otherwise registered for resale by the Subscriber or Holder pursuant to an effective registration statement, each such time it will give at least 30 days' prior written notice to the record holder of the Registrable Securities of its intention so to do. Upon the written request of the holder, received by the Company within 30 days after the giving of any such notice by the Company, to register any of the Registrable Securities, the Company will cause such Registrable Securities as to which registration shall have been so requested to be included with the securities to be covered by the registration statement proposed to be filed by the Company, all to the extent required to permit the sale or other disposition of the Registrable Securities so registered by the holder of such Registrable Securities (the "Seller"). In the event that any registration pursuant to this Section 10.1(ii) shall be, in whole or in part, an underwritten public offering of common stock of the Company, the number of shares of Registrable Securities to be included in such an underwriting may be reduced by the managing underwriter if and to the extent that the Company and the underwriter shall reasonably be of the opinion that such inclusion would adversely affect the marketing of the securities to be sold by the Company therein; provided, however, that the Company shall notify the Seller in writing of any such reduction. Notwithstanding the forgoing provisions, or Section 10.4 hereof, the Company may withdraw or delay or suffer a delay of any registration statement referred to in this Section 10.1(ii) without thereby incurring any liability to the Seller.

(iii) If, at the time any written request for registration is received by the Company pursuant to Section 10.1(i), the Company has determined to proceed with the actual preparation and filing of a registration statement under the 1933 Act in connection with the proposed offer and sale for cash of any of its securities for the Company's own account, such written request shall be deemed to have been given pursuant to Section 10.1(ii) rather than Section 10.1(i), and the rights of the holders of Registrable Securities covered by such written request shall be governed by Section 10.1(ii).

(iv) The Company shall file with the Commission within 45 days of the Closing Date (the "Filing Date"), and use its reasonable commercial efforts to cause to be declared effective a Form SB-2 registration statement (or such other form that it is eligible to use) within 90 days of the Closing Date in order to register the Registrable Securities for resale and distribution under the Act. The registration statement described in this paragraph must be declared effective by the Commission within 90 days of the Closing Date (as defined herein) ("Effective Date"). The Company will register not less than a number of shares of Common Stock in the aforedescribed registration statement that is equal to 200% of the Company Shares issuable at the Conversion Price that would be in effect on the Closing Date or the date of filing of such registration statement (employing the Conversion Price which would result in the greater number of Shares),

assuming the conversion of 100% of the Notes and the Put Notes which are issuable, and one share of common stock for each common share issuable upon exercise of the Initial Warrants and Put Warrants which are issuable in connection with the Put, employing the Conversion Price that would result in the greater number of Shares. The Registrable Securities shall be reserved and set aside exclusively for the benefit of the Subscriber and Warrant Recipients, as the case may be, and not issued, employed or reserved for anyone other than the Subscriber and Warrant Recipients. Such registration statement will be promptly amended or additional registration statements will be promptly filed by the Company as necessary to register additional Company Shares to allow the public resale of all Common Stock included in and issuable by virtue of the Registrable Securities. No securities of the Company other than the Registrable Securities will be included in the registration statement described in this Section 10.1(iv).

10.2. REGISTRATION PROCEDURES. If and whenever the Company is required by the provisions hereof to effect the registration of any shares of Registrable Securities under the Act, the Company will, as expeditiously as possible:

(a) prepare and file with the Commission a registration statement with respect to such securities and use its best efforts to cause such registration statement to become and remain effective for the period of the distribution contemplated thereby (determined as herein provided), and promptly provide to the holders of Registrable Securities copies of all filings and Commission letters of comment;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective until the latest of: (i) six months after the latest exercise period of the Warrants; (ii) twelve months after the Maturity Date of the Note or Put Note; or (iii) two years after the Closing Date, or Put Closing Date and comply with the provisions of the Act with respect to the disposition

of all of the Registrable Securities covered by such registration statement in accordance with the Seller's intended method of disposition set forth in such registration statement for such period;

(c) furnish to the Seller, and to each underwriter if any, such number of copies of the registration statement and the prospectus included therein (including each preliminary prospectus) as such persons reasonably may request in order to facilitate the public sale or their disposition of the securities covered by such registration statement;

(d) use its best efforts to register or qualify the Seller's Registrable Securities covered by such registration statement under the securities or "blue sky" laws of such jurisdictions as the Seller and in the case of an underwritten public offering, the managing underwriter shall reasonably request, provided, however, that the Company shall not for any such purpose be required to qualify generally to transact business as a foreign corporation in any jurisdiction where it is not so qualified or to consent to general service of process in any such jurisdiction;

(e) list the Registrable Securities covered by such registration statement with any securities exchange on which the Common Stock of the Company is then listed;

(f) immediately notify the Seller and each underwriter under such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act, of the happening of any event of which the Company has knowledge as a result of which the prospectus contained in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(g) make available for inspection by the Seller, any underwriter participating in any distribution pursuant to such registration statement, and any attorney, accountant or other agent retained by the Seller or underwriter, all publicly available, non-confidential financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors and employees to supply all publicly available, non-confidential information reasonably requested by the seller, underwriter, attorney, accountant or agent in connection with such registration statement.

10.3. PROVISION OF DOCUMENTS.

(a) At the request of the Seller, provided a demand for registration has been made pursuant to Section 10.1(i) or a request for registration has been made pursuant to Section 10.1(ii), the Registrable Securities will be included in a registration statement filed pursuant to this Section 10.

(b) In connection with each registration hereunder, the Seller will furnish to the Company in writing such information and representation letters with respect to itself and the proposed distribution by it as reasonably shall be necessary in order to assure compliance with federal and applicable state securities laws. In connection with each registration pursuant to Section 10.1(i) or 10.1(ii) covering an underwritten public offering, the Company and the Seller agree to enter into a written agreement with the managing underwriter in such form and containing such provisions as are customary in the securities business for such an arrangement between such underwriter and companies of the Company's size and investment stature.

10.4. NON-REGISTRATION EVENTS. The Company and the Subscriber agree that the Seller will suffer damages if any registration statement required under Section 10.1(i) or 10.1(ii) above is not filed within 60 days after written request by the Holder and not declared effective by the Commission within 120 days after such request [or the Filing Date and Effective Date, respectively, in reference to the Registration Statement on Form SB-2 or such other form described in Section 10.1(iv)], and maintained in the manner and within the time periods contemplated by Section 10 hereof, and it would not be feasible to ascertain the extent of such damages with precision. Accordingly, if (i) the Registration Statement described in Sections 10.1(i) or 10.1(ii) is not filed within 60 days of such written request, or is not declared effective by the Commission on or prior to the date that is 120 days after such request, or (ii) the registration statement on Form SB-2 or such other form described in Section 10.1(iv) is not filed on or before the Filing Date or not declared effective on or before the sooner of the Effective Date, or within five days of receipt by the Company of a communication from the Commission that the registration statement described in Section 10.1(iv) will not be reviewed, or (iii) any registration statement described in Sections 10.1(i), 10.1(ii) or 10.1(iv) is filed and declared effective but shall thereafter cease to be effective (without being succeeded immediately by an additional registration statement filed and declared effective) for a period of time which shall exceed

30 days in the aggregate per year but not more than 20 consecutive calendar days (defined as a period of 365 days commencing on the date the Registration Statement is declared effective) (each such event referred to in clauses (i), (ii) and (iii) of this Section 10.4 is referred to herein as a "Non-Registration Event"), then, for so long as such Non-Registration Event shall continue, the Company shall pay in cash as Liquidated Damages to each holder of any Registrable Securities an amount equal to two (2%) percent per month for the first sixty (60) days or part thereof and three (3%) percent per month for each thirty days or part thereof, thereafter during the pendency of such Non-Registration Event, of (i) the principal of the Notes issued in connection with the Initial Offering, whether or not converted; (ii) the principal amount of Put Notes actually issued, whether or not converted, then owned of record by such holder or issuable as of or subsequent to the occurrence of such Non-Registration Event. Payments to be made pursuant to this Section 10.4 shall be due and payable immediately upon demand in immediately available funds. In the event a Mandatory Redemption Payment is demanded from the Company by the Holder pursuant to Section 9.2 of this Subscription Agreement, then the Liquidated Damages described in this Section 10.4 shall no longer accrue on the portion of the Purchase Price underlying the Mandatory

Redemption Payment, from and after the date the Holder receives the Mandatory Redemption Payment. It shall be deemed a Non-Registration Event to the extent that all the Common Stock underlying the Registrable Securities is not included in an effective registration statement as of and after the Effective Date at the Conversion Prices in effect from and after the Effective Date.

10.5. EXPENSES. All expenses incurred by the Company in complying with Section 10, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel and independent public accountants for the Company, fees and expenses (including reasonable counsel fees) incurred in connection with complying with state securities or "blue sky" laws, fees of the National Association of Securities Dealers, Inc., transfer taxes, fees of transfer agents and registrars, and costs of insurance are called "Registration Expenses". All underwriting discounts and selling commissions applicable to the sale of Registrable Securities, including any fees and disbursements of any special counsel to the Seller, are called "Selling Expenses". The Seller shall pay the fees of its own additional counsel, if any. The Company will pay all Registration Expenses in connection with the registration statement under Section 10. All Selling Expenses in connection with each registration statement under Section 10 shall be borne by the Seller and may be apportioned among the Sellers in proportion to the number of shares sold by the Seller relative to the number of shares sold under such registration statement or as all Sellers thereunder may agree.

10.6. INDEMNIFICATION AND CONTRIBUTION.

(a) In the event of a registration of any Registrable Securities under the Act pursuant to Section 10, the Company will indemnify and hold harmless the Seller, each officer of the Seller, each director of the Seller, each underwriter of such Registrable Securities thereunder and each other person, if any, who controls such Seller or underwriter within the meaning of the 1933 Act, against any losses, claims, damages or liabilities, joint or several, to which the Seller, or such underwriter or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such Registrable Securities was registered under the Act pursuant to Section 10, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Seller, each such underwriter and each such controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable to the Seller to the extent that any such damages arise out of or are based upon an untrue statement or omission made in any preliminary prospectus if (i) the Seller failed to send or deliver a copy of the final prospectus delivered by the Company to the Seller with or prior to the delivery of written confirmation of the sale by the Seller to the person asserting the claim from which such damages arise, (ii) the final prospectus would have corrected such untrue statement or alleged untrue statement or such omission or alleged omission, or (iii) to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by any such Seller, or any such controlling person in writing specifically for use in such registration statement or prospectus.

(b) In the event of a registration of any of the Registrable Securities under the Act pursuant to Section 10, the Seller will indemnify and hold harmless the Company, and each person, if any, who controls the Company within the meaning of the Act, each officer of the Company who signs

the registration statement, each director of the Company, each underwriter and each person who controls any underwriter within the meaning of the Act, against all losses, claims, damages or liabilities, joint or several, to which the Company or such officer, director, underwriter or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the

registration statement under which such Registrable Securities were registered under the Act pursuant to Section 10, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and each such officer, director, underwriter and controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action, provided, however, that the Seller will be liable hereunder in any such case if and only to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information pertaining to such Seller, as such, furnished in writing to the Company by such Seller specifically for use in such registration statement or prospectus, and provided, further, however, that the liability of the Seller hereunder shall be limited to the gross proceeds received by the Seller from the sale of Registrable Securities covered by such registration statement.

(c) Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof, but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to such indemnified party other than under this Section 10.6(c) and shall only relieve it from any liability which it may have to such indemnified party under this Section 10.6(c), except and only if and to the extent the indemnifying party is prejudiced by such omission. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel satisfactory to such indemnified party, and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 10.6(c) for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected, provided, however, that, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be reasonable defenses available to it which are different from or additional to those available to the indemnifying party or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party, the indemnified parties shall have the right to select one separate counsel and to assume such legal defenses and otherwise to participate in the defense of such action, with the reasonable expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the indemnifying party as incurred.

(d) In order to provide for just and equitable contribution in the event of joint liability under the Act in any case in which either (i) the Seller, or any controlling person of the Seller, makes a claim for indemnification pursuant to this Section 10.6 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 10.6 provides for indemnification in such case, or (ii) contribution under the Act may be required on the part of the Seller or controlling person of the Seller in circumstances for which indemnification is provided under this Section 10.6; then, and in each such case, the Company and the Seller will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that the Seller is responsible only for the portion represented by the percentage that the public offering price of its securities offered by the registration statement bears to the public offering price of all securities offered by such registration statement, provided, however, that, in any such case, (y) the Seller will not be required to contribute any amount in excess of the public offering price of all such securities offered by it pursuant to such registration statement; and (z) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Act) will be entitled to contribution from any

person or entity who was not guilty of such fraudulent misrepresentation.

11.1. OBLIGATION TO PURCHASE.

(a) The Subscriber agrees to purchase from the Company convertible notes ("Put Notes") in up to the principal amount set forth on the signature page hereto for up to the aggregate amount of Put Note principal ("Put Purchase Price") designated on the signature page hereto (the "Put"). Collectively the Put Notes, Warrants issuable in connection with the Put, and Common Stock issuable upon conversion of the Put Notes and exercise of the Warrants are referred to as the "Put Securities".) The Warrants issuable in connection with the Put Notes are referred to herein as Warrants or Put Warrants. Except as described in Section 11.1(c) hereof, each Put Note will be identical to the Note except that the Maturity Date will be two years from each Put Closing Date (as hereinafter defined). The Holders of the Put Securities are granted all the rights, undertakings, remedies, liquidated damages and indemnification granted to the Subscriber in connection with the Note, including but not limited to, the rights and procedures set forth in Section 9 hereof and the registration rights described in Section 10 hereof.

(b) The agreement to purchase the Put Notes is contingent on the following any, some or all of which may be waived by the Subscriber:

(i) As of a Put Date and Put Closing Date (as hereinafter defined), the Common Shares issuable upon conversion of a Put Note and exercise of Put Warrants must be included in an effective registration statement described in Section 10 hereof.

(ii) As of a Put Date and Put Closing Date, the Company will be a reporting company with the class of Shares registered pursuant to Section 12(g) of the Securities Exchange Act of 1934.

(iii) No material adverse change in the Company's business or business prospects shall have occurred after the date of the most recent financial statements included in the Reports. Material adverse change is defined as any effect on the business, operations, properties, prospects, or financial condition of the Company that is material and adverse to the Company and its subsidiaries and affiliates, taken as a whole, and/or any condition, circumstance, or situation that would prohibit or otherwise interfere with the ability of the Company to enter into and perform any of its obligations under this Agreement, or any other agreement entered into or to be entered into in connection herewith, in any material respect. There shall not have been a material negative restatement of the Company's financial statements included in the Reports.

(iv) An Event of Default as described in Article III of the Note shall not have occurred.

(v) The execution and delivery to the Subscriber of a certificate signed by its chief executive officer representing the truth and accuracy of all the Company's representations and warranties contained in this Subscription Agreement as of the Put Date, and Put Closing Date and confirming the undertakings contained herein, and representing the satisfaction of all contingencies and conditions required for the exercise of the Put.

(vi) The Company's listing on, and compliance with the listing requirements of the Principal Market.

(vii) The Company's not having received notice from the Bulletin Board, or any Principal Market that the Company is not in compliance with the requirements for continued listing.

(viii) The execution by the Company and delivery to the Subscriber of all required documents in relation to the Put set forth in Section 11.2 below and such other documents which may be reasonably requested by the Subscriber.

(ix) No issuance of an SEC stop trade order.

(x) The Company shall have no knowledge that any of the foregoing conditions shall not be true and accurate as of a date fifteen days after a Put Closing Date.

(c) Subject to the adjustments set forth in the Note, the Conversion Price of the Put Note shall be the lesser of (i) the Maximum Base Price (as defined in the Note) of the Note issued in connection with the Initial Offering, or (ii) 82.5% of the average of the three lowest closing bid prices of the Common Stock on the Principal Market for the ten (10) trading days prior to

the Conversion Date, as defined in the Note.

11.2. EXERCISE OF PUT.

(a) The Company's right to exercise the Put commences thirty days after the actual effective date of the registration statement described in Section 10.1(iv) hereof and expires two (2) years after the Effective Date ("Put Exercise Period").

(b) The Put may be exercised by the Company by giving the Subscriber written notice of exercise ("Put Notice") not more often than one time each calendar month during the Put Exercise Period in relation to up to the maximum principal amount of Put Note that the Subscriber has agreed to purchase subject to the limits described in this Agreement. The date a Put Notice is given is a Put Date. Each Put Notice must be accompanied by (i) the officer's certificate described in Section 11.1(b)(v) above; (ii) a legal opinion relating to the Put Securities in form reasonably acceptable to Subscriber substantially similar to the opinion annexed hereto as Exhibit C; (iii) proof of effectiveness of the registration statement described in Section 10 above, together with five copies of the prospectus portion thereof; and (iv) such other documents and certificates reasonably requested by the Subscriber.

(c) Unless otherwise agreed to by the Subscribers, Put Notices must be given to all Subscribers in proportion to the amounts agreed to be purchased by all Subscribers undertaking to purchase Put Notes in the Initial Offering.

(d) Payment by the Subscriber in relation to a Put Notice relating to a Put must be made within ten (10) business days after receipt of a Put Notice and the items set forth in Section 11.2(b) above. Payment will be made against delivery to the Subscriber or an escrow agent to be agreed upon by the Company and Subscriber, of the Put Securities, and delivery to the Finders of the Finder's Fee and Warrants relating to the Put being exercised which the Company may elect to be paid out of funds deposited with the escrow agent.

(e) The Company may exercise the Put subject to the following limitations:

(i) The Company may not give the Subscriber a Put Notice in connection with that amount of Put Note which could be converted as of the Put Date into a number of shares of Common Stock which would be in excess of the sum of (y) the number of shares of Common Stock beneficially owned by the Subscriber and its affiliates on such Put Date, and (z) the number of shares of Common Stock issuable upon the conversion of the Put Note with respect to which the determination of this proviso is being made on a Put Date, which would result in beneficial ownership by the Subscriber and its affiliates of more than 9.99% of the outstanding shares of Common Stock of the Company on such Put Date. For the purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder. Subject to the foregoing, the Subscriber shall not be limited to aggregate conversions of only 9.99%. The Subscriber may revoke the restriction described in this paragraph upon 75 days prior notice to the Company. The Subscriber shall have the right to determine which of the equity of the Company deemed beneficially owned by the Subscriber shall be included in the 9.99% described above and which shall be allocated to the excess above 9.99%.

(ii) The aggregate amount of all Put Notices to all Subscribers of the Initial Offering may not exceed $4,625,000. The aggregate maximum principal amount of Put Notes for which Put Notices may be given during any calendar month to all Subscribers in the Initial Offering may not exceed ten (10%) of the daily weighted average price of the Common Stock on the Principal Market as reported by Bloomberg Financial using the AQR function for the thirty calendar days prior to but not including the Put Date, multiplied by the reported daily trading volume of the Common Stock for each such day ("Trading Volume Limitation").

(iii) Anything to the contrary herein notwithstanding, the Company may not exercise the Put for aggregate Put amounts from Investors to the Initial Offering in excess of $375,000 nor less than $100,000 during any calendar month.

(f) In the event the Company does not exercise the Put during any calendar month during the Put Exercise Period for the entire permitted Put amount, then the Subscriber may exercise the Put in relation only to such Subscriber, by giving notice to the Company of such exercise during the first seven (7) business days of each following month.

11.3. PUT FINDERS FEES. The Finders identified on Schedule B hereto shall receive on each Put Closing Date aggregate Finder's Fees as described in Section 6 hereof in connection with the closing of each Put as set

forth on Schedule B hereto. Put Finder's Fees shall be payable only in connection with the Put Purchase Price actually paid by a Subscriber. The Put Finder's Fees and reasonable legal fees for counsel to the Subscriber shall be paid at each Put Closing. The legal fee to be paid by the Company to one counsel for the Subscribers to the Initial Offering shall be not less than $2,500 nor more than $4,000 per Put Closing with an aggregate legal fee not to exceed $10,000.

11.4. WARRANTS.

(a) The Company shall issue Warrants to the Warrant Recipients in the amounts designated on Schedule B hereto and as described in Section 6 of this Agreement. The Warrants will be in the form of Exhibit D hereto. The Warrants will be exercisable immediately upon issuance and for five years thereafter.

(b) Failure to timely pay Finder's Fees, legal fees or deliver any Warrants issuable in connection with the Initial Offering and Put shall be deemed an Event of Default under the Note and a material breach of the Company's obligations hereunder, for which no notice to cure is required.

11.5 ASSIGNMENT OF PUT. Anything to the contrary herein notwithstanding, the Subscriber may assign to another party, reasonably acceptable to the Company, either before or after exercise of the Put by the Company, the Subscriber's obligations and right to pay all or some of the Put Purchase Price and receive the corresponding Put Securities. Such assignment must be in writing. The assignment will be effective only if the assignee consents in writing to be bound by all of the Subscriber's obligations to the Company in connection with such assignment. Upon an effective assignment, the assignee will succeed to all of the Subscriber's rights under this Subscription Agreement, and all other agreements relating to the assigned portion of the Put.

11.6 ADJUSTMENTS. The Conversion Price and amount of Shares issuable upon conversion of the Notes and Put Notes shall be adjusted consistent with customary anti-dilution adjustments.

12. (a) RIGHT OF FIRST REFUSAL. Until the latest of (i) 180 days after the actual effective date of the Registration Statement described in Section 10.1(iv) hereof, (ii) one year after the Closing Date, or (iii) 180 days after the most recent Put Closing Date (the "Exclusion Period"), the Subscriber shall be given not less than ten (10) business days prior written notice of any proposed sale by the Company of its common stock or other securities or debt obligations except as disclosed in the Reports or Other Written Information (these exceptions hereinafter referred to as the "Excepted Issuances"). The Subscriber shall have the right during the ten (10) business days following the notice to agree to purchase an amount of Company Shares in the same proportion as being purchased in the Initial Offering of those securities proposed to be issued and sold, in accordance with the terms and conditions set forth in the notice of sale. In the event such terms and conditions are modified during the notice period, the Subscriber shall be given prompt notice of such modification and shall have the right during the original notice period or for a period of ten (10) business days following the notice of modification, whichever is longer, to exercise such right. In the event the right of first refusal described in this Section is exercised by the Subscriber and the Company thereby receives net proceeds from such exercise, then commissions and fees will be paid by the Company to the Finders in the same amounts as would be payable in connection with the offering described in the notice of sale. Payment for the securities may be made by the Subscriber by tender to the Company of all or part of the Note or Put Note and application towards the purchase price of the securities of any sums due or owing from the Company to the Subscriber.

(b) OFFERING RESTRICTIONS. Except with respect to the Excepted Issuances, the Company will not issue any equity, convertible debt or other securities prior to the expiration of the Exclusion Period at a price below the lowest Conversion Price in effect on the date of issuance and/or conversion without the consent of the Subscriber. Until four months after the Closing Date, the Company may issue to an investor acceptable to the Subscriber herein, up to the same amount of Convertible Notes and Put Notes as issuable pursuant to this Agreement on the same terms and conditions as set forth herein. Any deviation from the terms and conditions described herein must be approved by the Subscriber.

13. MISCELLANEOUS.

(a) NOTICES. All notices or other communications given or made hereunder shall be in writing and shall be personally delivered or deemed delivered the first business day after being telecopied

(provided that a copy is delivered by first class mail) to the party to receive the same at its address set forth below or to such other address as either party shall hereafter give to the other by notice duly made under this Section: (i) if to the Company, to Aethlon Medical, Inc., 7825 Fay Avenue, Suite 200, La Jolla, CA 92037, telecopier number: (858) 456-4690, with a copy by telecopier only to: Gibson, Haglund & Paulsen, Jamboree Center, 2 Park Plaza, Suite 450, Irvine, CA 92614, Attn: Bruce H. Haglund, Esq., telecopier number: (949) 752-1144, and (ii) if to the Subscriber, to the name, address and telecopy number set forth on the signature page hereto, with a copy by telecopier only to Grushko & Mittman, P.C., 551 Fifth Avenue, Suite 1601, New York, New York 10176, telecopier number: (212) 697-3575. Any notice that may be given pursuant to this Agreement, or any document delivered in connection with the foregoing may be given by the Subscriber on the first business day after the observance dates in the United States of America by Orthodox Jewry of Rosh Hashanah, Yom Kippur, the first two days of the Feast of Tabernacles, Shemini Atzeret, Simchat Torah, the first two and final two days of Passover and Pentecost, with such notice to be deemed given and effective, at the election of the Subscriber on a holiday date that precedes such notice. Any notice received by the Subscriber on any of the aforedescribed holidays may be deemed by the Subscriber to be received and effective as if such notice had been received on the first business day after the holiday.

(b) CLOSING. The consummation of the transactions contemplated herein shall take place at the offices of Grushko & Mittman, P.C., 551 Fifth Avenue, Suite 1601, New York, New York 10176, upon the satisfaction of all conditions to Closing set forth in this Agreement. The closing date shall be the date that subscriber funds representing the net amount due the Company from the Purchase Price are transmitted by wire transfer to the Company (the "Closing Date"). The closing date for the Put shall be the date on which Subscriber funds representing the net amount due the Company from the Put Purchase Price is transmitted to or on behalf of the Company ("Put Closing Date").

(c) ENTIRE AGREEMENT; ASSIGNMENT. This Agreement represents the entire agreement between the parties hereto with respect to the subject matter hereof and may be amended only by a writing executed by both parties. No right or obligation of either party shall be assigned by that party without prior notice to and the written consent of the other party.

(d) EXECUTION. This Agreement may be executed by facsimile transmission, and in counterparts, each of which will be deemed an original.

(e) LAW GOVERNING THIS AGREEMENT. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state of New York. Both parties and the individuals executing this Agreement and other agreements on behalf of the Company agree to submit to the jurisdiction of such courts and waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement.

(f) SPECIFIC ENFORCEMENT, CONSENT TO JURISDICTION. The Company and Subscriber acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure

breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof or thereof, this being in addition to any other remedy to which any of them may be entitled by law or equity. Subject to Section 13(e) hereof, each of the Company and Subscriber hereby waives, and agrees not to assert in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. Nothing in this Section shall affect or limit any right to serve process in any other manner permitted by law.

(g) CONFIDENTIALITY. The Company agrees that it will not disclose publicly or privately the identity of the Subscriber unless expressly agreed to in writing by the Subscriber or only to the extent required by law.

(h) AUTOMATIC TERMINATION. This Agreement shall

automatically terminate without any further action of either party hereto if the Closing shall not have occurred by the tenth (10th) business day following the date this Agreement is accepted by the Subscriber.

[THIS SPACE INTENTIONALLY LEFT BLANK]

Please acknowledge your acceptance of the foregoing Subscription Agreement by signing and returning a copy to the undersigned whereupon it shall become a binding agreement between us.

AETHLON MEDICAL, INC.
A Nevada Corporation

By:

James A. Joyce
Chairman of the Board

Dated: November _____, 2000

Purchase Price: $375,000.00

PUT

Put Note Purchase Price: $4,625,000.00

ACCEPTED: Dated as of November ____, 2000

ESQUIRE TRADE & FINANCE, INC. - Subscriber
Trident Chamber
P.O. Box 146
Road Town, Tortola, B.V.I.
Fax: 011-41-41-760-1031

By:

SCHEDULE B TO SUBSCRIPTION AGREEMENT

<TABLE>
<CAPTION>

FINDERS	INITIAL OFFERING - CASH FINDER'S FEES	PUT CASH FINDER'S FEES
<S>	<C>	<C>
LIBRA FINANCE, S.A. P.O. Box 4603 Zurich, Switzerland Fax: 011-411-201-6262	$37,500	100%
TOTAL	$37,500 (100%)	UP TO $185,000 (100%)

</TABLE>

PROPORTIONATE SHARE OF AGGREGATE WARRANTS ISSUABLE

<TABLE>
<CAPTION>

WARRANT RECIPIENTS	PROPORTIONATE SHARE
<S>	<C>
LIBRA FINANCE, S.A. P.O. Box 4603 Zurich, Switzerland Fax: 011-411-201-6262	100%
TOTAL	(100%)

</TABLE>

SCHEDULE 7(e) - PERMITTED USES OF PROCEEDS

1. Product Development Activities, with principal focus on HIV/AIDS device.

2. FDA Clinical Trials, with focus on devices for iron and lead removal.

3. Business Development Activities, including corporate communications, SEC registration of common stock, and other corporate activities.

4. Debt Service, including interest on outstanding notes, but excluding repayment of principal in the maximum amount of $35,000.

EXHIBIT 10.8

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

CONVERTIBLE NOTE

FOR VALUE RECEIVED, AETHLON MEDICAL, INC., a Nevada corporation (hereinafter called "Borrower"), hereby promises to pay to ESQUIRE TRADE & FINANCE, INC., Trident Chamber, P.O. Box 146, Road Town, Tortola, B.V.I., Fax No.: 011-41-41-760-1031 (the "Holder") or order, without demand, the sum of Three Hundred and Seventy-Five Thousand Dollars ($375,000), with simple interest accruing at the annual rate of 8%, on November 1, 2002 (the "Maturity Date").

The following terms shall apply to this Note:

ARTICLE I

DEFAULT RELATED PROVISIONS

1.1 PAYMENT GRACE PERIOD. The Borrower shall have a ten (10) day grace period to pay any monetary amounts due under this Note, after which grace period a default interest rate of 20% per annum shall apply to the amounts owed hereunder.

1.2 CONVERSION PRIVILEGES. The Conversion Privileges set forth in Article II shall remain in full force and effect immediately from the date hereof and until the Note is paid in full.

1.3 INTEREST RATE. Subject to the Holder's right to convert, interest payable on this Note shall accrue at the annual rate of eight percent (8%) and be payable quarterly commencing January 1, 2001, and on the Maturity Date, accelerated or otherwise, when the principal and remaining accrued but unpaid interest shall be due and payable, or sooner as described below.

ARTICLE II

CONVERSION RIGHTS

The Holder shall have the right to convert the principal amount and interest due under this Note into Shares of the Borrower's Common Stock as set forth below.

2.1. CONVERSION INTO THE BORROWER'S COMMON STOCK.

(a) The Holder shall have the right from and after the issuance of this Note and then at any time until this Note is fully paid, to convert any outstanding and unpaid principal portion of this Note, and/or at the Holder's election, the interest accrued on the Note, (the date of giving of such notice of conversion

being a "Conversion Date") into fully paid and nonassessable shares of common stock of Borrower as such stock exists on the date of issuance of this Note, or any shares of capital stock of Borrower into which such stock shall hereafter be changed or reclassified (the "Common Stock") at the conversion price as defined in Section 2.1(b) hereof (the "Conversion Price"), determined as provided herein. Upon delivery to the Company of a Notice of Conversion as described in Section 9 of the subscription agreement entered into between the Company and Holder relating to this Note (the "Subscription Agreement") of the Holder's written request for conversion, Borrower shall issue and deliver to the Holder within five business days from the Conversion Date that number of shares of Common Stock for the portion of the Note converted in accordance with the foregoing. At the election of the Holder, the Company will deliver accrued but unpaid interest on the Note through the Conversion Date directly to the Holder on or before the Delivery Date (as defined in the Subscription Agreement). The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing that portion of the principal (and interest, at the election of the Holder) of the Note to be converted, by the Conversion Price.

(b) Subject to adjustment as provided in Section 2.1(c) hereof, the Conversion Price per share shall be the lower of (i) ninety (90%) of the closing price for the Common Stock on the NASD OTC Bulletin Board, NASDAQ SmallCap Market, NASDAQ National Market System, American Stock Exchange, or New York Stock Exchange (whichever of the foregoing is at the time the principal

trading exchange or market for the Common Stock, the "Principal Market"), or if not then trading on a Principal Market, such other principal market or exchange where the Common Stock is listed or traded for the last trading day immediately prior to but not including the issue date of this Note ("Maximum Base Price"); or (ii) seventy-five percent (75%) percent of the average of the three lowest closing bid prices for the Common Stock on the Principal Market, or on any securities exchange or other securities market on which the Common Stock is then being listed or traded, for the ten (10) trading days prior to but not including the Conversion Date.

(c) The Maximum Base Price described in Section 2.1(b)(i) above and number and kind of shares or other securities to be issued upon conversion determined pursuant to Section 2.1(a) and 2.1(b), shall be subject to adjustment from time to time upon the happening of certain events while this conversion right remains outstanding, as follows:

A. Merger, Sale of Assets, etc. If the Borrower at any time shall consolidate with or merge into or sell or convey all or substantially all its assets to any other corporation, this Note, as to the unpaid principal portion thereof and accrued interest thereon, shall thereafter be deemed to evidence the right to purchase such number and kind of shares or other securities and property as would have been issuable or distributable on account of such consolidation, merger, sale or conveyance, upon or with respect to the securities subject to the conversion or purchase right immediately prior to such consolidation, merger, sale or conveyance. The foregoing provision shall similarly apply to successive transactions of a similar nature by any such successor or purchaser. Without limiting the generality of the foregoing, the anti-dilution provisions of this Section shall apply to such securities of such successor or purchaser after any such consolidation, merger, sale or conveyance.

B. Reclassification, etc. If the Borrower at any time shall, by reclassification or otherwise, change the Common Stock into the same or a different number of securities of any class or classes, this Note, as to the unpaid principal portion thereof and accrued interest thereon, shall thereafter be deemed to evidence the right to purchase such number and kind of securities as would have been issuable as the result of such change with respect to the Common Stock immediately prior to such reclassification or other change.

C. Stock Splits, Combinations and Dividends. If the shares of Common Stock are subdivided or combined into a greater or smaller number of shares of Common Stock, or if a dividend is paid on the Common Stock in shares of Common Stock, the Conversion Price shall be proportionately reduced in case of subdivision of shares or stock dividend or proportionately increased in the case of combination of shares, in each such case by the ratio which the total number of shares of Common Stock outstanding immediately after such event bears to the total number of shares of Common Stock outstanding immediately prior to such event.

D. Share Issuance. Subject to the provisions of this Section, if the Borrower at any time shall issue any shares of Common Stock prior to the conversion of the entire principal amount of the Note (otherwise than as: (i) provided in Sections 2.1(c)A, 2.1(c)B or 2.1(c)C or this subparagraph D; (ii) pursuant to options, warrants, or other obligations to issue shares, outstanding on the date hereof as described in the Reports and Other Written Information, as such terms are defined in the Subscription Agreement (which agreement is incorporated herein by this reference); or (iii) Excepted Issuances, as defined in Section 12(a) of the Subscription Agreement; [(i), (ii) and (iii) above, are hereinafter referred to as the "Existing Option Obligations"] for a consideration less than the Conversion Price that would be in effect at the time of such issue, then, and thereafter successively upon each such issue, the Conversion Price shall be reduced as follows: (i) the number of shares of Common Stock outstanding immediately prior to such issue shall be multiplied by the Conversion Price in effect at the time of such issue and the product shall be added to the aggregate consideration, if any, received by the Borrower upon such issue of additional shares of Common Stock; and (ii) the sum so obtained shall be divided by the number of shares of Common Stock outstanding immediately after such issue. The resulting quotient shall be the adjusted conversion price. Except for the Existing Option Obligations and options that may be issued under any employee incentive stock option and/or any qualified stock option plan adopted by the Company, for purposes of this adjustment, the issuance of any security of the Borrower carrying the right to convert such security into shares of Common Stock or of any warrant, right or option to purchase Common Stock shall result in an adjustment to the Conversion Price upon the issuance of shares of Common Stock upon exercise of such conversion or purchase rights.

(d) During the period the conversion right exists, Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of Common Stock upon the full conversion of this Note. Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. Borrower agrees that its issuance of this Note shall constitute full authority to its officers, agents,

and transfer agents who are charged with the duty of executing and issuing stock certificates to execute and issue the necessary certificates for shares of Common Stock upon the conversion of this Note.

2.2 METHOD OF CONVERSION. This Note may be converted by the Holder in whole or in part as described in Section 2.1(a) hereof and the Subscription Agreement. Upon partial conversion of this Note, a new Note containing the same date and provisions of this Note shall be issued by the Borrower to the Holder for the principal balance of this Note and interest which shall not have been converted or paid.

ARTICLE III

EVENT OF DEFAULT

The occurrence of any of the following events of default ("Event of Default") shall, at the option of the Holder hereof, make all sums of principal and interest then remaining unpaid hereon and all other

amounts payable hereunder immediately due and payable, all without demand, presentment or notice, or grace period, all of which hereby are expressly waived, except as set forth below:

3.1 FAILURE TO PAY PRINCIPAL OR INTEREST. The Borrower fails to pay any installment of principal or interest hereon when due and such failure continues for a period of ten (10) days after the due date.

3.2 BREACH OF COVENANT. The Borrower breaches any material covenant or other term or condition of this Note in any material respect and such breach, if subject to cure, continues for a period of seven (7) days after written notice to the Borrower from the Holder.

3.3 BREACH OF REPRESENTATIONS AND WARRANTIES. Any material representation or warranty of the Borrower made herein, in the Subscription Agreement entered into by the Holder and Borrower in connection with this Note, or in any agreement, statement or certificate given in writing pursuant hereto or in connection therewith shall be false or misleading in any material respect.

3.4 RECEIVER OR TRUSTEE. The Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business; or such a receiver or trustee shall otherwise be appointed.

3.5 JUDGMENTS. Any money judgment, writ or similar final process shall be entered or filed against Borrower or any of its property or other assets for more than $100,000, and shall remain unvacated, unbonded or unstayed for a period of forty-five (45) days.

3.6 BANKRUPTCY. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings or relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower and if instituted against Borrower are not dismissed within 45 days of initiation.

3.7 DELISTING. Delisting of the Common Stock from the Principal Market or such other principal exchange on which the Common Stock is listed for trading; Borrower's failure to comply with the conditions for listing; or notification that the Borrower is not in compliance with the conditions for such continued listing.

3.8 CONCESSION. A concession by the Borrower, after applicable notice and cure periods, under any one or more obligations in an aggregate monetary amount in excess of $100,000.

3.9 STOP TRADE. An SEC stop trade order or trading suspension on any Principal Market.

3.10 FAILURE TO DELIVER COMMON STOCK OR REPLACEMENT NOTE. Borrower's failure to timely deliver Common Stock to the Holder pursuant to and in the form required by this Note and Section 9 of the Subscription Agreement, or if required a replacement Note.

3.11 REGISTRATION DEFAULT. The occurrence of a Non-Registration Event as described in Section 10.4 of the Subscription Agreement.

ARTICLE IV

MISCELLANEOUS

4.1 FAILURE OR INDULGENCE NOT WAIVER. No failure or delay on the part of Holder hereof in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 NOTICES. Any notice herein required or permitted to be given shall be in writing and may be personally served or sent by fax transmission (with copy sent by regular, certified or registered mail or by overnight courier). For the purposes hereof, the address and fax number of the Holder is as set forth on the first page hereof. The address and fax number of the Borrower shall be Aethlon Medical, Inc., 7825 Fay Avenue, Suite 200, La Jolla, CA 92037, telecopier number: (858) 456-4690. Both Holder and Borrower may change the address and fax number for service by service of notice to the other as herein provided. Notice of Conversion shall be deemed given when made to the Company pursuant to the Subscription Agreement.

4.3 AMENDMENT PROVISION. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 ASSIGNABILITY. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to the benefit of the Holder and its successors and assigns, and may be assigned by the Holder.

4.5 COST OF COLLECTION. If default is made in the payment of this Note, Borrower shall pay the Holder hereof reasonable costs of collection, including reasonable attorneys' fees.

4.6 GOVERNING LAW. This Note shall be governed by and construed in accordance with the laws of the State of New York. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state of New York. Both parties and the individual signing this Agreement on behalf of the Borrower agree to submit to the jurisdiction of such courts. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs.

4.7 MAXIMUM PAYMENTS. Nothing contained herein shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. In the event that the rate of interest required to be paid or other charges hereunder exceed the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by the Borrower to the Holder and thus refunded to the Borrower.

4.8 PREPAYMENT. This Note may not be paid prior to the Maturity Date without the consent of the Holder.

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its Chairman of the Board on this _____ day of November, 2000.

AETHLON MEDICAL, INC.

By:

James A. Joyce

WITNESS:

- ---

NOTICE OF CONVERSION

(To be executed by the Registered Holder in order to convert the Note)

The undersigned hereby elects to convert $_____ of the principal and $_____ of the interest due on the Note issued by AETHLON MEDICAL, INC. on November ____, 2000 into Shares of Common Stock of AETHLON MEDICAL, INC. (the "Company") according to the conditions set forth in such Note, as of the date

written below.

Date of Conversion: _____

Conversion Price: _____

Shares To Be Delivered: _____

Signature: _____

Print Name: _____

Address: _____

_____

EXHIBIT 10.9

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

Right to Purchase 119,048 Shares of Common Stock of Aethlon Medical, Inc. (subject to adjustment as provided herein)

COMMON STOCK PURCHASE WARRANT

No. 1 Issue Date: November 1, 2000

AETHLON MEDICAL, INC., a corporation organized under the laws of the State of Nevada (the "Company"), hereby certifies that, for value received, LIBRA FINANCE, S.A., or assigns, is entitled, subject to the terms set forth below, to purchase from the Company from and after the Issue Date of this Warrant and at any time or from time to time before 5:00 p.m., New York time, through five (5) years after such date (the "Expiration Date"), up to 119,048 fully paid and nonassessable shares of Common Stock (as hereinafter defined), $.001 par value per share, of the Company, at a purchase price of $3.575 per share (such purchase price per share as adjusted from time to time as herein provided is referred to herein as the "Purchase Price"). The number and character of such shares of Common Stock and the Purchase Price are subject to adjustment as provided herein.

As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

(a) The term "Company" shall include Aethlon Medical, Inc. and any corporation which shall succeed or assume the obligations of Aethlon Medical, Inc. hereunder.

(b) The term "Common Stock" includes (a) the Company's Common Stock, $.001 par value per share, as authorized on the date of the Subscription Agreement referred to in Section 9 hereof, (b) any other capital stock of any class or classes (however designated) of the Company, authorized on or after such date, the holders of which shall have the right, without limitation as to amount, either to all or to a share of the balance of current dividends and liquidating dividends after the payment of dividends and distributions on any shares entitled to preference, and the holders of which shall ordinarily, in the absence of contingencies, be entitled to vote for the election of a majority of directors of the Company (even if the right so to vote has been suspended by the happening of such a contingency) and (c) any other securities into which or for which any of the securities described in (a) or (b) may be converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, sale of assets or otherwise.

(c) The term "Other Securities" refers to any stock (other than Common Stock) and other securities of the Company or any other person (corporate or otherwise) which the holder of the Warrant at any time shall be entitled to receive, or shall have received, on the exercise of the Warrant, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 4 or otherwise.

1. EXERCISE OF WARRANT.

1.1. NUMBER OF SHARES ISSUABLE UPON EXERCISE. From and after the date hereof through and including the Expiration Date, the holder hereof shall be entitled to receive, upon exercise of this Warrant in whole in accordance with the terms of subsection 1.2 or upon exercise of this Warrant in part in accordance with subsection 1.3, shares of Common Stock of the Company, subject to adjustment pursuant to Section 4.

1.2. FULL EXERCISE. This Warrant may be exercised in full by the holder hereof by surrender of this Warrant, with the form of subscription attached as Exhibit A hereto (the "Subscription Form") duly executed by such holder, to the Company at its principal office or at the office of its Warrant agent (as provided hereinafter), accompanied by payment, in cash or by certified or official bank check payable to the order of the Company, in the amount obtained by multiplying the number of shares of Common Stock for which this Warrant is then exercisable by the Purchase Price (as hereinafter defined) then in effect.

1.3. PARTIAL EXERCISE. This Warrant may be exercised in part (but not for a fractional share) by surrender of this Warrant in the manner and at the place provided in subsection 1.2 except that the amount payable by the holder on such partial exercise shall be the amount obtained by multiplying (a) the number of shares of Common Stock designated by the holder in the Subscription Form by (b) the Purchase Price then in effect. On any such partial exercise, the Company, at its expense, will forthwith issue and deliver to or upon the order of the holder hereof a new Warrant of like tenor, in the name of the holder hereof or as such holder (upon payment by such holder of any applicable transfer taxes) may request, the number of shares of Common Stock for which such Warrant may still be exercised.

1.4. FAIR MARKET VALUE. Fair Market Value of a share of Common Stock as of a particular date (the "Determination Date") shall mean the Fair Market Value of a share of the Company's Common Stock. Fair Market Value of a share of Common Stock as of a Determination Date shall mean:

(a) If the Company's Common Stock is traded on an exchange or is quoted on the National Association of Securities Dealers, Inc. Automated Quotation ("NASDAQ") National Market System or the NASDAQ SmallCap Market, then the closing or last sale price, respectively, reported for the last business day immediately preceding the Determination Date.

(b) If the Company's Common Stock is not traded on an exchange or on the NASDAQ National Market System or the NASDAQ SmallCap Market but is traded in the over-the-counter market, then the mean of the closing bid and asked prices reported for the last business day immediately preceding the Determination Date.

(c) Except as provided in clause (d) below, if the Company's Common Stock is not publicly traded, then as the Holder and the Company agree or in the absence of agreement by arbitration in accordance with the rules then standing of the American Arbitration Association, before a single arbitrator to be chosen from a panel of persons qualified by education and training to pass on the matter to be decided.

(d) If the Determination Date is the date of a liquidation, dissolution or winding up, or any event deemed to be a liquidation, dissolution or winding up pursuant to the Company's charter, then all amounts to be payable per share to holders of the Common Stock pursuant to the charter in the event of such liquidation, dissolution or winding up, plus all other amounts to be payable per share in respect of the Common Stock in liquidation under the charter, assuming for the purposes of this clause (d) that all of the shares of Common Stock then issuable upon exercise of all of the Warrants are outstanding at the Determination Date.

1.5. COMPANY ACKNOWLEDGMENT. The Company will, at the time of the exercise of the Warrant, upon the request of the holder hereof acknowledge in writing its continuing obligation to afford to such holder any rights to which such holder shall continue to be entitled after such exercise in accordance with the provisions of this Warrant. If the holder shall fail to make any such request, such failure shall not affect the continuing obligation of the Company to afford to such holder any such rights.

1.6. TRUSTEE FOR WARRANT HOLDERS. In the event that a bank or trust company shall have been appointed as trustee for the holders of the Warrants pursuant to Subsection 3.2, such bank or trust company shall have all the powers and duties of a warrant agent (as hereinafter described) and shall accept, in its own name for the account of the Company or such successor person as may be entitled thereto, all amounts otherwise payable to the Company or such successor, as the case may be, on exercise of this Warrant pursuant to this Section 1.

2.1 DELIVERY OF STOCK CERTIFICATES, ETC. ON EXERCISE. The Company agrees that the shares of Common Stock purchased upon exercise of this Warrant shall be deemed to be issued to the holder hereof as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such shares as aforesaid. As soon as practicable after the exercise of this Warrant in full or in part, and in any event within 7 days thereafter, the Company at its expense (including the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the holder hereof, or as such holder (upon payment by such holder of any applicable transfer taxes) may direct in compliance with applicable Securities Laws, a certificate or certificates for the number of duly and validly issued, fully paid and nonassessable shares of Common Stock (or Other Securities) to which such holder shall be entitled on such exercise, plus, in lieu of any fractional share to which such holder would otherwise be entitled, cash equal to such fraction multiplied by the then Fair Market Value of one full share, together with any other stock or other securities and property (including cash, where applicable) to which such holder is entitled upon such exercise pursuant to Section 1 or otherwise.

2.2. CASHLESS EXERCISE.

(a) Payment may be made either in (a) cash or by certified or official bank check or checks payable to the order of the Company equal to the applicable aggregate Purchase Price, (ii) by delivery of Warrants, Common Stock and/or Common Stock receivable upon exercise of the Warrants in accordance with Section (b) below, or (iii) by a combination of any of the foregoing methods, for the number of Common Shares specified in such form (as such exercise number shall be adjusted to reflect any adjustment in the total number of shares of Common Stock issuable to the holder per the terms of this Warrant) and the holder shall thereupon be entitled to receive the number of duly authorized, validly issued, fully-paid and non-assessable shares of Common Stock (or Other Securities) determined as provided herein.

(b) Notwithstanding any provisions herein to the contrary, if the Fair Market Value of one share of Common Stock is greater than the Purchase Price (at the date of calculation as set forth below), in lieu of exercising this Warrant for cash the holder may elect to receive shares equal to the value (as determined below) of this Warrant (or the portion thereof being cancelled) by surrender of this Warrant at the principal office of the Company together with the properly endorsed Subscription Form in which event the Company shall issue to the holder a number of shares of Common Stock computed using the following formula:

$$X = Y \frac{(A-B)}{A}$$

Where X= the number of shares of Common Stock to be issued to the holder

Y= the number of shares of Common Stock purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation)

A= the Fair Market Value of one share of the Company's Common Stock (at the date of such calculation)

B= Purchase Price (as adjusted to the date of such calculation)

3. ADJUSTMENT FOR REORGANIZATION, CONSOLIDATION, MERGER, ETC.

3.1. REORGANIZATION, CONSOLIDATION, MERGER, ETC. In case at any time or from time to time, the Company shall (a) effect a reorganization, (b) consolidate with or merge into any other person, or (c) transfer all or substantially all of its properties or assets to any other person under any plan or arrangement contemplating the dissolution of the Company, then, in each such case, as a condition to the consummation of such a transaction, proper and adequate provision shall be made by the Company whereby the holder of this Warrant, on the exercise hereof as provided in Section 1 at any time after the consummation of such reorganization, consolidation or merger or the effective date of such dissolution, as the case may be, shall receive, in lieu of the Common Stock (or Other Securities) issuable on such exercise prior to such consummation or such effective date, the stock and other securities and property (including cash) to which such holder would have been entitled upon such consummation or in connection with such dissolution, as the case may be, if such holder had so exercised this Warrant, immediately prior thereto, all subject to further adjustment thereafter as provided in Section 4.

3.2. DISSOLUTION. In the event of any dissolution of the Company following the transfer of all or substantially all of its properties or assets, the Company, prior to such dissolution, shall at its expense deliver or cause to be delivered the stock and other securities and property (including cash, where applicable) receivable by the holders of the Warrants after the effective date of such dissolution pursuant to this Section 3 to a bank or trust company having its principal office in New York, NY, as trustee for the holder or holders of the Warrants.

3.3. CONTINUATION OF TERMS. Upon any reorganization, consolidation, merger or transfer (and any dissolution following any transfer) referred to in this Section 3, this Warrant shall continue in full force and effect and the terms hereof shall be applicable to the shares of stock and other securities and property receivable on the exercise of this Warrant after the consummation of such reorganization, consolidation or merger or the effective date of dissolution following any such transfer, as the case may be, and shall be binding upon the issuer of any such stock or other securities, including, in the case of any such transfer, the person acquiring all or substantially all of the properties or assets of the Company, whether or not such person shall have expressly assumed the terms of this Warrant as provided in Section 4. In the event this Warrant does not continue in full force and effect after the consummation of the transaction described in this Section 3, then only in such event will the Company's securities and property (including cash, where

applicable) receivable by the holders of the Warrants be delivered to the Trustee as contemplated by Section 3.2.

3.4. SHARE ISSUANCE. Except for the Excepted Issuances as described in Section 12(a) of the Subscription Agreement, if the Company at any time shall issue any shares of Common Stock prior to the complete exercise of this Warrant for a consideration less than the Purchase Price that would be in effect at the time of such issue, then, and thereafter successively upon each such issue, the Purchase Price shall be reduced as follows: (i) the number of shares of Common Stock outstanding immediately prior to such issue shall be multiplied by the Purchase Price in effect at the time of such issue and the product shall be added to

the aggregate consideration, if any, received by the Company upon such issue of additional shares of Common Stock; and (ii) the sum so obtained shall be divided by the number of shares of Common Stock outstanding immediately after such issue. The resulting quotient shall be the adjusted Purchase Price. For purposes of this adjustment, the issuance of any security of the Company carrying the right to convert such security into shares of Common Stock or of any warrant, right or option to purchase Common Stock shall result in an adjustment to the Purchase Price upon the issuance of shares of Common Stock upon exercise of such conversion or purchase rights.

4. EXTRAORDINARY EVENTS REGARDING COMMON STOCK. In the event that the Company shall (a) issue additional shares of the Common Stock as a dividend or other distribution on outstanding Common Stock, (b) subdivide its outstanding shares of Common Stock, or (c) combine its outstanding shares of the Common Stock into a smaller number of shares of the Common Stock, then, in each such event, the Purchase Price shall, simultaneously with the happening of such event, be adjusted by multiplying the then Purchase Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such event and the denominator of which shall be the number of shares of Common Stock outstanding immediately after such event, and the product so obtained shall thereafter be the Purchase Price then in effect. The Purchase Price, as so adjusted, shall be readjusted in the same manner upon the happening of any successive event or events described herein in this Section 4. The number of shares of Common Stock that the holder of this Warrant shall thereafter, on the exercise hereof as provided in Section 1, be entitled to receive shall be increased to a number determined by multiplying the number of shares of Common Stock that would otherwise (but for the provisions of this Section 4) be issuable on such exercise by a fraction of which (a) the numerator is the Purchase Price that would otherwise (but for the provisions of this Section 4) be in effect, and (b) the denominator is the Purchase Price in effect on the date of such exercise.

5. CERTIFICATE AS TO ADJUSTMENTS. In each case of any adjustment or readjustment in the shares of Common Stock (or Other Securities) issuable on the exercise of the Warrants, the Company at its expense will promptly cause its Chief Financial Officer or other appropriate designee to compute such adjustment or readjustment in accordance with the terms of the Warrant and prepare a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (a) the consideration received or receivable by the Company for any additional shares of Common Stock (or Other Securities) issued or sold or deemed to have been issued or sold, (b) the number of shares of Common Stock (or Other Securities) outstanding or deemed to be outstanding, and (c) the Purchase Price and the number of shares of Common Stock to be received upon exercise of this Warrant, in effect immediately prior to such adjustment or readjustment and as adjusted or readjusted as provided in this Warrant. The Company will forthwith mail a copy of each such certificate to the holder of the Warrant and any Warrant agent of the Company (appointed pursuant to Section 11 hereof).

6. RESERVATION OF STOCK, ETC. ISSUABLE ON EXERCISE OF WARRANT; FINANCIAL STATEMENTS. The Company will at all times reserve and keep available, solely for issuance and delivery on the exercise of the Warrants, all shares of Common Stock (or Other Securities) from time to time issuable on the exercise of the Warrant. This Warrant entitles the holder hereof to receive copies of all financial and other information distributed or required to be distributed to the holders of the Company's Common Stock.

7. ASSIGNMENT; EXCHANGE OF WARRANT. Subject to compliance with applicable Securities laws, this Warrant, and the rights evidenced hereby, may be transferred by any registered holder hereof (a "Transferor") with respect to any or all of the Shares. On the surrender for exchange of this Warrant, with the Transferor's endorsement in the form of Exhibit B attached hereto (the Transferor Endorsement Form") and together with evidence reasonably satisfactory to the Company demonstrating compliance with applicable Securities Laws, the Company at its expense but with payment by the Transferor of any applicable transfer taxes) will issue and deliver to or on the order of the Transferor thereof a new Warrant or Warrants of like

tenor, in the name of the Transferor and/or the transferee(s) specified in such Transferor Endorsement Form (each a "Transferee"), calling in the aggregate on the face or faces thereof for the number of shares of Common Stock called for on the face or faces of the Warrant so surrendered by the Transferor.

8. REPLACEMENT OF WARRANT. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement or security reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of this Warrant, the Company at its expense will execute and deliver, in lieu thereof, a new Warrant of like tenor.

9. REGISTRATION RIGHTS. The Holder of this Warrant has been granted certain registration rights by the Company. These registration rights are set forth in a Subscription Agreement entered into by the Company and Subscribers of the Company's 8% Convertible Notes at or prior to the issue date of this Warrant. The terms of the Subscription Agreement are incorporated herein by this reference. Upon the occurrence of a Non-Registration Event as described in the Subscription Agreement, in the event the Company is unable to issue Common Stock upon exercise of this Warrant that has been registered in the Registration Statement described in Section 10.1(iv) of the Subscription Agreement, within the time periods described in the Subscription Agreement, which Registration Statement must be effective for the periods set forth in the Subscription Agreement, then upon written demand made by the Holder, the Company will pay to the Holder of this Warrant, in lieu of delivering Common Stock, a sum equal to the closing price of the Company's Common Stock on the Principal Market (as defined in the Subscription Agreement) or such other principal trading market for the Company's Common Stock on the trading date immediately preceding the date notice is given by the Holder, less the Purchase Price, for each share of Common Stock designated in such notice from the Holder.

10. MAXIMUM EXERCISE. The Holder shall not be entitled to exercise this Warrant on an exercise date, in connection with that number of shares of Common Stock which would be in excess of the sum of (i) the number of shares of Common Stock beneficially owned by the Holder and its affiliates on an exercise date, and (ii) the number of shares of Common Stock issuable upon the exercise of this Warrant with respect to which the determination of this proviso is being made on an exercise date, which would result in beneficial ownership by the Holder and its affiliates of more than 9.99% of the outstanding shares of Common Stock of the Company on such date. For the purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended, and Regulation 13d-3 thereunder. Subject to the foregoing, the Holder shall not be limited to aggregate exercises which would result in the issuance of more than 9.99%. The restriction described in this paragraph may be revoked upon 75 days prior notice from the Holder to the Company. The Holder may allocate which of the equity of the Company deemed beneficially owned by the Subscriber shall be included in the 9.99% amount described above and which shall be allocated to the excess above 9.99%.

11. WARRANT AGENT. The Company may, by written notice to the each holder of the Warrant, appoint an agent for the purpose of issuing Common Stock (or Other Securities) on the exercise of this Warrant pursuant to Section 1, exchanging this Warrant pursuant to Section 7, and replacing this Warrant pursuant to Section 8, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such agent.

12. TRANSFER ON THE COMPANY'S BOOKS. Until this Warrant is transferred on the books of the Company, the Company may treat the registered holder hereof as the absolute owner hereof for all purposes, notwithstanding any notice to the contrary.

13. NOTICES, ETC. All notices and other communications from the Company to the holder of this Warrant shall be mailed by first class registered or certified mail, postage prepaid, at such address as may have been furnished to the Company in writing by such holder or, until any such holder furnishes to the Company an address, then to, and at the address of, the last holder of this Warrant who has so furnished an address to the Company.

14. MISCELLANEOUS. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. This Warrant shall be construed and enforced in accordance with and governed by the laws of New York. Any dispute relating to this Warrant shall be adjudicated in New York State. The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any

other provision.

[THIS SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Company has executed this Warrant under seal as of the date first written above.

AETHLON MEDICAL, INC.

By:

James A. Joyce
Chairman of the Board

Witness:

- ---

EXHIBIT A

FORM OF SUBSCRIPTION
(To be signed only on exercise of Warrant)

TO: Aethlon Medical, Inc.

The undersigned, pursuant to the provisions set forth in the attached Warrant (No.____), hereby irrevocably elects to purchase (check applicable box):

___ _____ shares of the Common Stock covered by such Warrant; or

___ the maximum number of shares of Common Stock covered by such Warrant pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned herewith makes payment of the full purchase price for such shares at the price per share provided for in such Warrant, which is $_____. Such payment takes the form of (check applicable box or boxes):

___ $_____ in lawful money of the United States; and/or

___ the cancellation of such portion of the attached Warrant as is exercisable for a total of _____ shares of Common Stock (using a Fair Market Value of $_____ per share for purposes of this calculation); and/or

___ the cancellation of such number of shares of Common Stock as is necessary, in accordance with the formula set forth in Section 2, to exercise this Warrant with respect to the maximum number of shares of Common Stock purchaseable pursuant to the cashless exercise procedure set forth in Section 2.

The undersigned requests that the certificates for such shares be issued in the name of, and delivered to _____ whose address is _____
_____.

The undersigned represents and warrants that all offers and sales by the undersigned of the securities issuable upon exercise of the within Warrant shall be made pursuant to registration of the Common Stock under the Securities Act of 1933, as amended (the "Securities Act") or pursuant to an exemption from registration under the Securities Act.

Dated:

(Signature must conform to name of holder as specified on the face of the Warrant)

(Address)

FORM OF TRANSFEROR ENDORSEMENT
(To be signed only on transfer of Warrant)

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

TRANSFEREES	PERCENTAGE TRANSFERRED	NUMBER TRANSFERRED
<S>	<C>	<C>

Dated: _____, _____

_____
(Signature must conform to name of holder as specified on the face of the warrant)

Signed in the presence of:

_____ _____
(Name) (address)

_____
(address)

ACCEPTED AND AGREED:
[TRANSFEREE]

_____
(Name)

EXHIBIT 23.2

INDEPENDENT AUDITOR'S CONSENT

We consent to the inclusion in this Registration Statement on Form SB-2 of our report dated June 2, 2000, which includes an emphasis paragraph relating to an uncertainty as to the Company's ability to continue as a going concern, on the consolidated financial statements of Aethlon Medical, Inc. We also consent to the reference of our Firm under the heading "Experts" in the Prospectus.

December 19, 2000