

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 22, 2010

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

Nevada
(State or other jurisdiction
of incorporation)

000-21846
(Commission File Number)

13-3632859
(IRS Employer
Identification Number)

8910 University Center Lane, Suite 660
San Diego, California
(Address of principal executive offices)

92122
(Zip Code)

Registrant's telephone number, including area code: (858) 459-7800

Not applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 1.01 ENTRY INTO MATERIAL DEFINITIVE AGREEMENT

On November 22, 2010, Aethlon Medical, Inc. (the "Company") entered into a Settlement Agreement (the "Agreement") with Gemini Master Fund Ltd. ("Gemini"). The Agreement was entered into in order resolve the dispute between the Company and Gemini with respect to the Company's and Gemini's respective performance obligations under the financing documents entered into between Gemini and the Company in February of 2010. The dispute was disclosed in the Company's Quarterly Report on Form 10-Q filed on November 15, 2010.

On February 12, 2010, the Company entered into a convertible note and warrant financing transaction with Gemini whereby the Company received \$280,015 in cash and received a secured promissory note in the amount of \$300,000 from Gemini (the "Gemini Note") in exchange for the issuance by the Company of a \$660,000 principal amount 10% convertible promissory note (the "Company Note") to Gemini. The Company Note included an original issue discount of ten percent, or \$60,000, and an origination fee of three percent, or \$9,000. The Company Note matures in February 2011. The Gemini Note matures on April 1, 2011, with prepayments of principal and interest by Gemini to the Company due and payable beginning on September 1, 2010.

The conversion price per share under the Company Note as originally issued is equal to eighty percent (80%) of the average of the three lowest closing bid prices of our Common Stock as reported by Bloomberg L.P. on the Principal Market for the ten (10) trading days preceding the conversion date, subject to a maximum price per share of \$0.30 and a minimum price per share of \$0.20 (the "Floor Price"). The Company Note as originally issued is convertible into a maximum of 3,300,000 shares of the Company's Common Stock at the minimum price per share of \$0.20. Gemini also received a three-year warrant to purchase 660,000 shares of the Company's Common Stock at \$0.50 per share (the "Original Warrant"), although that exercise price was subject to change based on certain conditions.

As described in the Quarterly Report on Form 10-Q filed on November 15, 2010, the Company and Gemini were in disagreement regarding (i) the continuation of the Floor Price at \$0.20 and whether Gemini presently had the right to require conversions of principal and interest under the Company Note at prices below \$0.20, and (ii) Gemini's obligation to pay the principal and interest installments due to the Company under the Gemini Note which were due and payable on each of September 1, 2010, October 1, 2010 and November 1, 2010. In part, Gemini had asserted that the terms of the Company Note and the Original Warrant were subject to adjustment as a result of the Company's transaction with Tonaquint, Inc. on July 15, 2010.

In settlement of the dispute the Company and Gemini entered into the Agreement which provides for the adjustments to the Company Note and issuance of the Exchange Warrant such that the Company Note and Warrant held by Gemini will now mirror certain of the economic features of the convertible note and warrant issued to Tonaquint, Inc. in the July 15, 2010 transaction. The Agreement provides for the modification of the Company Note as follows: Section 2.1(b) of the Note is modified such that the conversion price formula under the Company Note is changed to equal eighty percent (80%) of the average of the three lowest closing bid prices of the Common Stock as reported by Bloomberg L.P. on the Principal Market for the twenty (20) trading days preceding the conversion date in lieu of the ten (10) trading days preceding the conversion date and there shall no longer be any Floor Price. In addition, the Company Note was amended to include the following terms: the number of shares of Common Stock that may be issued to the holder of the Company Note pursuant to a conversion of the Company Note, combined with an exercise of the Exchange Warrant (as defined below), shall not exceed a cap determined by (a) dividing the sum of (i) the face amount of the Company Note, plus (ii) an amount equal to all interest that would accrue under the Company Note during its term (assuming no payments of principal or interest are made prior to the maturity date of the Company Note), by a price per share of Common Stock equal to \$0.20 (subject to equitable adjustment) and (b) then adding the sum calculated pursuant to the foregoing clause (a) to the maximum number of Warrant Shares (as defined in the Exchange Warrant) that may be acquired by the holder thereof upon exercise of the Exchange Warrant (regardless of whether such exercise is a cashless exercise). In addition, the "Maximum Ownership Percentage" under the Company Note was increased to 9.99%.

In addition to the modifications of the Company Note, the Company has agreed to exchange the Original Warrant for a new common stock purchase warrant (the "Exchange Warrant") for the purchase of 2,727,272 shares of Common Stock at an initial exercise price of \$0.231 per share. The Exchange Warrant provides for anti-dilution adjustment to the exercise price in the event of the issuance of securities by the Company below the exercise price, subject to certain exceptions as set forth in the Exchange Warrant.

In addition, the Agreement provides that Gemini will deliver to the Company \$253,794.09 by wire transfer in full payment of the Gemini Note, which represents the outstanding principal balance thereof plus all accrued but unpaid interest thereon less the origination fee due to the Gemini under the original transaction documents less reimbursement of Gemini's legal expenses. In light of the settlement, the Company shall deliver to Gemini 286,483 freely tradable shares of Common Stock in full satisfaction of the remaining number of shares of Common Stock due under certain conversion notices previously delivered by Gemini to the Company. The Agreement provides for the mutual release of all claims related to the dispute and the revocation of all prior notices of default sent by the Company and Gemini to each other.

In connection with the modification to the Company Note and the issuance of the Exchange Warrant, the Company has reserved for issuance, 6,357,272 shares of Common Stock for issuance upon the conversion of the Company Note and the exercise in full of the Exchange Warrant.

Each of the Settlement Agreement and the Exchange Warrant are filed as Exhibits to this Current Report on Form 8-K. The foregoing descriptions of the Settlement Agreement and Exchange Warrant do not purport to be complete and are qualified in their entirety by reference to the Exchange Warrant and Settlement Agreement filed as exhibits to this Report.

ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES

On November 22, 2010, the Company issued the Exchange Warrant and modified the terms of the Company Note, as set forth under Item 1.01 of this Report. The information set forth under Item 1.01 is hereby incorporated by reference into this Item 3.02. The modification of the Company Note and the issuance of the Exchange Warrant were made in reliance on the exemption from registration provided under Regulation D of the Securities Act of 1933, as amended. Gemini is an "accredited investor" within the meaning of Item 501 of Regulation D. The Company did not receive any cash consideration for the modification of the Company Note or the issuance of the Exchange Warrant.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) EXHIBITS

EXHIBIT NO.	DESCRIPTION
4.1	Warrant to Purchase Common Stock dated November 22, 2010
10.1	Settlement Agreement with Gemini Master Fund, Ltd.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AETHLON MEDICAL, INC.

By: /s/ James A. Joyce
James A. Joyce
Chief Executive Officer

Dated: November 26, 2010

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
4.1	Warrant to Purchase Common Stock dated November 22, 2010
10.1	Settlement Agreement with Gemini Master Fund, Ltd.

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 SUCH ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO AETHLON MEDICAL, INC. THAT SUCH REGISTRATION IS NOT REQUIRED.

AETHLON MEDICAL, INC.

WARRANT TO PURCHASE SHARES OF COMMON STOCK

1. Issuance. In consideration of good and valuable consideration as set forth in the Purchase Agreement (defined below), the receipt and sufficiency of which is hereby acknowledged by Aethlon Medical, Inc., a Nevada corporation (the "**Company**"), Gemini Master Fund, Ltd., a Cayman Islands corporation, its successors or registered assigns (the "**Holder**"), is hereby granted the right to purchase at any time on or after the Issue Date (as defined below) until the date which is the last calendar day of the month in which the fifth anniversary of the Issue Date occurs (the "**Expiration Date**"), 2,727,272 fully paid and nonassessable shares (the "**Warrant Shares**") of the Company's common stock, par value \$0.001 per share (the "**Common Stock**"), as such number may be modified according to the terms hereof. This Warrant to purchase Shares of Common Stock (this "**Warrant**") is being issued in exchange for a prior warrant to purchase shares of Common Stock issued to Holder (or Holder's predecessor in interest) on February 12, 2010 pursuant to the terms of that certain Securities Purchase Agreement dated February 12, 2010 (the "**Purchase Agreement**") between the Company and the Holder (or the Holder's predecessor in interest) to which the Company and the Holder (or the Holder's predecessor in interest) are parties.

Unless otherwise indicated herein, capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Purchase Agreement or other applicable Transaction Document.

This Warrant was originally issued to the Holder or the Holder's predecessor in interest on November 22, 2010 (the "**Issue Date**").

2. Exercise of Warrant.

2.1 General.

(a) This Warrant is exercisable in whole or in part at any time and from time to time commencing on the Issue Date and ending on the Expiration Date. Such exercise shall be effectuated by submitting to the Company (either by delivery to the Company or by email or facsimile transmission) a completed and duly executed Notice of Exercise (substantially in the form attached to this Warrant as **Exhibit A**). The date such Notice of Exercise is either faxed, emailed or delivered to the Company shall be the "**Exercise Date**," provided that, if such exercise represents the full exercise of the outstanding balance of the Warrant, the Holder of this Warrant shall tender this Warrant to the Company within five (5) Trading Days thereafter. The Notice of Exercise shall be executed by the Holder of this Warrant and shall indicate (i) the number of shares then being purchased pursuant to such exercise and (ii) if applicable (as provided below), whether the exercise is a cashless exercise.

For purposes of this Warrant, the term “*Trading Day*” means any day during which the principal market on which the Common Stock is traded (the “*Principal Market*”) shall be open for business.

(b) Notwithstanding any other provision contained herein or in any other Transaction Document (as defined in the Purchase Agreement) to the contrary, at any time prior to the Expiration Date, the Holder may elect a “cashless” exercise of this Warrant for any Warrant Shares whereby the Holder shall be entitled to receive a number of shares of Common Stock equal to (x) the excess of the Current Market Value (as defined below) over the aggregate Exercise Price of the portion of the Warrant then being exercised, divided by (y) the Adjusted Price of the Common Stock (as defined below).

For the purposes of this Warrant, the following terms shall have the following meanings:

“*Adjusted Price of the Common Stock*” shall mean the Conversion Price, as defined in that certain Convertible Promissory Note issued by the Company in favor of the Holder on or about February 12, 2010, as amended (the “*Note*”), in effect on any relevant Exercise Date.

“*Current Market Value*” shall mean an amount equal to the Market Price of the Common Stock, multiplied by the number of shares of Common Stock specified in the applicable Notice of Exercise.

“*Closing Price*” means the 4:00 P.M. last sale price of the Common Stock on the Principal Market on the relevant Trading Day(s), as reported by Bloomberg LP (or if that service is not then reporting the relevant information regarding the Common Stock, a comparable reporting service of national reputation selected by the Holder and reasonably acceptable to the Company) (“*Bloomberg*”) for the relevant date.

“*Exercise Price*” shall mean \$0.231 (as may be adjusted pursuant to the terms hereof).

“*Market Price of the Common Stock*” shall mean the higher of: (i) the Closing Price of the Common Stock on the Issue Date; or (ii) the VWAP of the Common Stock for the Trading Day that is two (2) Trading Days prior to the Exercise Date.

“*VWAP*” shall mean the volume-weighted average price of the Common Stock on the Principal Market for a particular Trading Day or set of Trading Days, as the case may be, as reported by Bloomberg.

(c) If the Notice of Exercise form elects a “cash” exercise (or if the cashless exercise referred to in the immediately preceding subsection (b) is not available in accordance with the terms hereof), the Exercise Price per share of Common Stock for the shares then being exercised shall be payable, at the election of the Holder, in cash or by certified or official bank check or by wire transfer in accordance with instructions provided by the Company at the request of the Holder.

(d) Upon the appropriate payment to the Company, if any, of the Exercise Price for the shares of Common Stock purchased, together with the surrender of this Warrant (if required), the Company shall promptly, but in any event within three (3) business days deliver (“Deliver”) the applicable Warrant Shares electronically via Deposit/Withdrawal at Custodian (“*DWAC*”) to the account designated by the Holder on the Notice of Exercise. If for any reason the Company is not able to Deliver the Warrant Shares via *DWAC*, notwithstanding its best efforts to do so, the Company shall deliver certificates representing the Warrant Shares to the Holder as provided in the Notice of Exercise (the certificates delivered in such manner, the “*Warrant Share Certificates*”) within three (3) Trading Days (such third Trading Day, a “*Delivery Date*”) of (i) with respect to a “cashless exercise,” the Exercise Date as the case may be, or, (ii) with respect to a “cash” exercise, the later of the Exercise Date or the date the payment of the Exercise Price for the relevant Warrant Shares is received by the Company.

(e) The Company understands that a delay in the electronic Delivery of Warrant Shares or the delivery of the Warrant Share Certificates, as the case may be, beyond the Delivery Date (assuming electronic Delivery is not available) could result in economic loss to the Holder. As compensation to the Holder for such loss, the Company agrees to pay late payment fees (as liquidated damages and not as a penalty) to the Holder for late Delivery of Warrant Shares or Warrant Share Certificates, as applicable, in the amount of \$100.00 per Trading Day after the Delivery Date for each \$10,000.00 of the total Exercise Price of the Warrant Shares subject to the delivery default. The Company shall pay any payments incurred under this subsection in immediately available funds upon demand. Furthermore, in addition to any other remedies which may be available to the Holder, in the event that the Company fails for any reason to effect Delivery of the Warrant Shares or the Warrant Share Certificates, as applicable, by the Delivery Date, the Holder may revoke all or part of the relevant Warrant exercise by delivery of a notice to such effect to the Company, whereupon the Company and the Holder shall each be restored to their respective positions immediately prior to the exercise of the relevant portion of this Warrant, except that the liquidated damages described above shall be payable through the date notice of revocation or rescission is given to the Company.

(f) The Holder shall be deemed to be the holder of the Warrant Shares issuable to it in accordance with the provisions of this Section 2.1 on the Exercise Date provided the Exercise Price is tendered in full on such date.

2.2 Ownership Limitation. Notwithstanding the provisions of this Warrant, if at any time after the date hereof, the Holder shall or would receive shares of Common Stock upon exercise of this Warrant, so that the Holder would, together with other shares of Common Stock beneficially owned by it or its Affiliates (as defined in the Purchase Agreement) but excluding shares underlying the Note, hold by virtue of such action or receipt of additional shares of Common Stock a number of shares exceeding 9.99% of the number of shares of the Company’s Common Stock outstanding on such date (the “**9.99% Cap**”), the Company shall not be obligated and shall not issue to the Holder shares of its Common Stock which would exceed the 9.99% Cap, but only until such time as the 9.99% Cap would no longer be exceeded by any such receipt of shares of Common Stock by the Holder. In connection with the performance of this Section 2.2, the Holder and/or its Affiliates agree to furnish to the Company any information reasonably requested by the Company in order to calculate the 9.99% Cap amount.

2 . 3 Common Stock Issuance Limitation. Notwithstanding anything to the contrary herein or in any other Transaction Document, the number of shares of Common Stock that may be issued to the Holder pursuant to a conversion of the Note, combined with an exercise of this Warrant, shall not exceed a cap determined by (a) dividing the sum of (i) the face amount of the Note, plus (ii) an amount equal to all interest that would accrue under the Note during its term (assuming no payments of principal or interest are made prior to the Maturity Date (as defined in the Note)), by a price per share of Common Stock equal to \$0.20 (subject to adjustment pursuant to Section 2.1(c) of the Note), and (b) then adding the sum calculated pursuant to the foregoing clause (a) to the maximum number of Warrant Shares that may be acquired by the Holder upon exercise of this Warrant (regardless of whether such exercise is a cashless exercise).

3. Mutilation or Loss of Warrant. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and (in the case of loss, theft or destruction) receipt of reasonably satisfactory indemnification, and (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will execute and deliver to the Holder a new Warrant of like tenor and date and any such lost, stolen, destroyed or mutilated Warrant shall thereupon become void.

4. Rights of the Holder. The Holder shall not, by virtue of this Warrant alone, be entitled to any rights of a stockholder in the Company, either at law or in equity, and the rights of the Holder are limited to those expressed in this Warrant and are not enforceable against the Company except to the extent set forth herein.

5. Protection Against Dilution and Other Adjustments

5.1 Capital Adjustments. If the Company shall at any time prior to the expiration of this Warrant subdivide the Common Stock, by split-up or stock split, or otherwise, or combine its Common Stock, or issue additional shares of its Common Stock as a dividend, the number of Warrant Shares issuable on the exercise of this Warrant shall forthwith be automatically increased proportionately in the case of a subdivision, split or stock dividend, or proportionately decreased in the case of a combination. Appropriate adjustments shall also be made to the purchase price payable per Warrant Share, but the aggregate purchase price payable for the total number of Warrant Shares purchasable under this Warrant (as adjusted) shall remain the same. Any adjustment under this Section 5.1 shall become effective automatically at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend, or in the event that no record date is fixed, upon the making of such dividend.

5.2 Reclassification, Reorganization and Consolidation. In case of any reclassification, capital reorganization, or change in the capital stock of the Company (other than as a result of a subdivision, combination, or stock dividend provided for in Section 5.1 above), then the Company shall make appropriate provision so that the Holder shall have the right at any time prior to the expiration of this Warrant to purchase, at a total price equal to that payable upon the exercise of this Warrant, the kind and amount of shares of stock and other securities and property receivable in connection with such reclassification, reorganization, or change by a holder of the same number of shares of Common Stock as were purchasable by the Holder immediately prior to such reclassification, reorganization, or change. In any such case appropriate provisions shall be made with respect to the rights and interest of the Holder so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities and property deliverable upon exercise hereof, and appropriate adjustments shall be made to the purchase price per Warrant Share payable hereunder, provided the aggregate purchase price shall remain the same.

5.3 Subsequent Equity Sales. If the Company or any subsidiary thereof, as applicable, at any time within forty-eight (48) months of the Issue Date, shall sell or grant any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition of) any Common Stock, preferred shares convertible into Common Stock, or debt, warrants, options or other instruments or securities which are convertible into or exercisable for shares of Common Stock (together herein referred to as "*Equity Securities*"), at an effective price per share less than the Exercise Price (such lower price, the "*Base Share Price*" and such issuance collectively, a "*Dilutive Issuance*") (if the holder of the Common Stock or Equity Securities so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options, or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is less than the Exercise Price, such issuance shall be deemed to have occurred for less than the Exercise Price on such date of the Dilutive Issuance), then, the Exercise Price shall be reduced and only reduced to equal the Base Share Price and the number of Warrant Shares issuable hereunder shall be increased such that the aggregate Exercise Price payable hereunder, after taking into account the decrease in the Exercise Price, shall be equal to the aggregate Exercise Price payable prior to such adjustment (such adjusted number of Warrant Shares issuable hereunder, the "*Adjusted Warrant Shares*"). Such adjustment shall be made whenever such Common Stock or Equity Securities are issued. The Company shall notify the Holder, in writing, no later than the Trading Day following the issuance of any Common Stock or Equity Securities subject to this Section 5.3, indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price, or other pricing terms (such notice, the "*Dilutive Issuance Notice*"). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 5.3, upon the occurrence of any Dilutive Issuance, after the date of such Dilutive Issuance the Holder is entitled to receive the Adjusted Warrant Shares at an Exercise Price equal to the Base Share Price regardless of whether the Holder accurately refers to the Base Share Price in the Notice of Exercise.

5.4 Notice of Adjustment. When any adjustment is required to be made in the number or kind of shares purchasable upon exercise of this Warrant, or in the Exercise Price, pursuant to the terms hereof, the Company shall promptly notify the Holder of such event and of the number of Warrant Shares or other securities or property thereafter purchasable upon exercise of this Warrant.

5.5 Exceptions to Adjustment. Notwithstanding the provisions of 5.3 and 5.4, no adjustment to the Exercise Price shall be effected as a result of an Excepted Issuance. "*Excepted Issuances*" shall mean, collectively, (i) the Company's issuance of securities in connection with strategic license agreements and other partnering arrangements so long as such issuances are not for the purpose of raising capital and in which holders of such securities or debt are not at any time granted registration rights, (ii) the Company's issuance of Common Stock or the issuances or grants of options to purchase Common Stock to employees, directors, and consultants, pursuant to plans which are approved and adopted by the Board of Directors of the Company, and (iii) the Company's issuance of Common Stock upon the conversion or exercise of securities convertible into or exercisable for Common Stock which securities were issued prior to the date of the initial issuance of this Warrant and have been disclosed in the Company's Recent Reports as filed with the Commission, *provided* that such securities have not been amended since the date of such disclosure.

6 . Certificate as to Adjustments. In each case of any adjustment or readjustment in the shares of Common Stock issuable on the exercise of this Warrant, 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 this 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 issued or sold or deemed to have been issued or sold, (b) the number of shares of Common Stock outstanding or deemed to be outstanding, and (c) the Exercise 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 8 hereof).

7. Transfer to Comply with the Securities Act. This Warrant, and the Warrant Shares, have not been registered under the 1933 Act. Neither this Warrant nor any of the Warrant Shares or any other security issued or issuable upon exercise of this Warrant may be sold, transferred, pledged or hypothecated without (a) an effective registration statement under the 1933 Act relating to such security or (b) an opinion of counsel reasonably satisfactory to the Company that registration is not required under the Act. Until such time as registration has occurred under the 1933 Act, each certificate for this Warrant, the Warrant Shares and any other security issued or issuable upon exercise of this Warrant shall contain a legend, in form and substance satisfactory to counsel for the Company, setting forth the restrictions on transfer contained in this Section. Any such transfer shall be accompanied by a transferor assignment substantially in the form of **Exhibit B** (the "**Transferor Assignment**"), executed by the transferor and the transferee and submitted to the Company. Upon receipt of the duly executed Transferor Assignment, the Company shall register the transferee thereon as the new Holder on the books and records of the Company and such transferee shall be deemed a "registered holder" or "registered assign" for all purposes hereunder, and shall have all the rights of the Holder hereof.

8. Warrant Agent. The Company may, by written notice to the Holder, appoint an agent (a "**Warrant Agent**") for the purpose of issuing Common Stock on the exercise of this Warrant pursuant hereto, exchanging this Warrant pursuant hereto, and replacing this Warrant pursuant hereto, 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 Warrant Agent.

9 . 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.

10 . Notices. Any notice required or permitted hereunder shall be given in the manner provided in the subsection headed "Notices" in the Purchase Agreement, the terms of which are incorporated herein by reference.

11. Supplements and Amendments; Whole Agreement. This Warrant may be amended or supplemented only by an instrument in writing signed by the parties hereto. This Warrant, together with the Purchase Agreement and all other Transaction Documents, taken together, contain the full understanding of the parties hereto with respect to the subject matter hereof and thereof and there are no representations, warranties, agreements or understandings other than expressly contained herein and therein.

12. Governing Law. This Warrant shall be governed by, and construed in accordance with, the internal laws of the State of Illinois, without reference to the choice of law provisions thereof. The Company and, by accepting this Warrant, the Holder, each irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and any United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Warrant and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Warrant. The Company and, by accepting this Warrant, the Holder, each irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. The Company and, by accepting this Warrant, the Holder, each irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

13. Remedies. The Company stipulates that the remedies at law of the Holder of this Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate and that, without limiting any other remedies available to the Holder, to the fullest extent permitted by law, such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

14. Counterparts. This Warrant may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. Signature delivered via facsimile or email shall be considered original signatures for purposes hereof.

15. Descriptive Headings. Descriptive headings of the sections of this Warrant are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by an officer thereunto duly authorized.

Dated: November 22, 2010

AETHLON MEDICAL, INC.

By: /s/ James B. Frakes

James B. Frakes
(Print Name)

Chief Financial Officer
(Title)

[Signature page to Warrant]

EXHIBIT A

NOTICE OF EXERCISE OF WARRANT

TO: AETHLON MEDICAL, INC.
ATTN: _____
VIA FAX TO: () _____

The undersigned hereby irrevocably elects to exercise the right, represented by the Warrant to Purchase Shares of Common Stock dated as of November 22, 2010 (the "*Warrant*"), to purchase _____ shares of the Common Stock, \$0.001 par value ("*Common Stock*"), of AETHLON MEDICAL, INC. , and tenders herewith payment in accordance with Section 2 of the Warrant, as follows:

_____ CASH: \$ _____ = (Exercise Price x number of shares of Common Stock issuable upon exercise ("*Exercise Shares*"))

_____ Payment is being made by:

- _____ enclosed check
- _____ wire transfer
- _____ other

_____ CASHLESS EXERCISE:

Net number of Warrant Shares to be issued to Holder: _____ *

* based on:
$$\frac{\text{Current Market Value} - (\text{Exercise Price} \times \text{Exercise Shares})}{\text{Adjusted Price of Common Stock}}$$

Where:	=	\$ _____
Market Price of Common Stock [<i>MP</i>]	=	\$ _____
Current Market Value [<i>MP</i> x <i>Exercise Shares</i>]	=	\$ _____
Exercise Price	=	\$ _____
Adjusted Price of Common Stock	=	\$ _____

Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Warrant.

It is the intention of the Holder to comply with the provisions of Section 2.2 of the Warrant regarding certain limits on the Holder's right to exercise thereunder. The Holder believes this exercise complies with the provisions of such Section 2.2. Nonetheless, to the extent that, pursuant to the exercise effected hereby, the Holder would have more shares than permitted under Section 2.2, this notice should be amended and revised, *ab initio*, to refer to the exercise which would result in the issuance of the maximum number of shares permitted under such provision. Any exercise above such amount is hereby deemed void and revoked.

As contemplated by the Warrant, this Notice of Exercise is being sent by facsimile/email to the fax number/email address and officer indicated above.

If this Notice of Exercise represents the full exercise of the outstanding balance of the Warrant, the Holder either (1) has previously surrendered the Warrant to the Company or (2) will surrender (or cause to be surrendered) the Warrant to the Company at the address indicated above by express courier within five (5) Trading Days after delivery or email or facsimile transmission of this Notice of Exercise.

The certificates representing the Warrant Shares should be transmitted by the Company to the Holder

_____ via express courier, or

_____ by electronic transfer

after receipt of this Notice of Exercise (by facsimile transmission or otherwise) to:

Dated: _____

[Name of Holder]

By: _____

EXHIBIT B

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 Shares of Common Stock to purchase the percentage and number of shares of Common Stock of AETHLON MEDICAL, INC. to which the within Warrant to Purchase Shares of Common Stock 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 the undersigned's respective right on the books of AETHLON MEDICAL, INC. with full power of substitution in the premises.

Transferees

Percentage Transferred

Number Transferred

Dated: _____, _____

[Transferor Name must conform to the name of

By: _____
Name: _____

Signed in the presence of:

(Name)

ACCEPTED AND AGREED:

[TRANSFEREE]

By: _____
Name: _____

SETTLEMENT AGREEMENT

This Settlement Agreement (“**Agreement**”) is entered into as of November 22, 2010 by and between AETHLON MEDICAL, INC., a corporation organized under the laws of the State of Nevada (“**Company**”), and Gemini Master Fund, Ltd. (“**Investor**”).

WITNESSETH:

WHEREAS, the Company and the Investor entered into that certain Securities Purchase Agreement dated as of February 12, 2010 (“**SPA**”), pursuant to which the Company issued to the Investor (a) that certain Convertible Promissory Note of the Company dated as of February 12, 2010 in the original principal amount equal to \$660,000 (“**Note**”), and (b) that certain Warrant to purchase 660,000 Warrant Shares (“**Warrant**”), in consideration for \$600,000, half of which was paid in cash on the Closing Date and half of which was paid by the Investor delivering to the Company that certain Secured Promissory Note in the original principal amount of \$300,000 (“**Investor Note**”); each initially capitalized term used but not defined in this Agreement shall have the meaning ascribed thereto in the SPA, Note or Investor Note, as applicable;

WHEREAS, On July 15, 2010 the Company issued a Secured Convertible Promissory Note (“**Tonaquint Note**”) and warrants to purchase Common Stock to Tonaquint, Inc. (“**Tonaquint Transaction**”);

WHEREAS, on each of September 8, 2010, October 28, 2010 and November 2, 2010, Gemini delivered a Notice of Conversion under the Note (collectively, the “**Conversion Notices**”) for an aggregate of 447,233 shares of Common Stock, of which 160,750 shares have been delivered to date pursuant to the October 28, 2010 Notice of Conversion;

WHEREAS, a dispute has arisen (a) under the Note as to the applicable adjustment to the Conversion Price, if any, under the Note due to the Tonaquint Transaction, (b) under the Conversion Notices previously delivered by the Investor to the Company under the Note, (c) under the Investor Note as to whether any prepayments are due, and (d) damages with respect to all of the foregoing (collectively, the “**Dispute**”); and

WHEREAS, the parties wish to resolve the Dispute in accordance with the terms hereof.

NOW THEREFORE, in consideration of the foregoing premises and the covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Investor agree as follows:

1. Note Modifications.

- (a) *Conversion Price.* Section 2.1(b) of the Note is hereby modified such that the Conversion Price formula under the Note is changed to equal eighty percent (80%) of the average of the three lowest closing bid prices of the Common Stock as reported by Bloomberg L.P. on the Principal Market for the twenty (20) trading days preceding the Conversion Date in lieu of the ten (10) trading days preceding the Conversion Date, provided that in no event will the Conversion Price be greater than the Max Price and there shall no longer be any Floor Price.

(b) *Common Stock Issuance Limitation.* Notwithstanding anything to the contrary in the Note or in any other Transaction Document, the number of shares of Common Stock that may be issued to the Investor pursuant to a conversion of the Note, combined with an exercise of the Exchange Warrant (as defined below), shall not exceed a cap determined by (a) dividing the sum of (i) the face amount of the Note, plus (ii) an amount equal to all interest that would accrue under the Note during its term (assuming no payments of principal or interest are made prior to the Maturity Date), by a price per share of Common Stock equal to \$0.20 (subject to adjustment pursuant to Section 2.1(c) of the Note) and (b) then adding the sum calculated pursuant to the foregoing clause (a) to the maximum number of Warrant Shares (as defined in the Exchange Warrant) that may be acquired by the holder thereof upon exercise of the Exchange Warrant (regardless of whether such exercise is a cashless exercise).

(c) *Maximum Ownership Percentage.* The Maximum Ownership Percentage under the Note is hereby increased to 9.99%.

2. Warrant Exchange. The Warrant is hereby terminated and exchanged for a new warrant to purchase 2,727,272 shares of Common Stock in the form of Exhibit A attached hereto (“**Exchange Warrant**”). The Company shall duly and validly issue and deliver the original executed Exchange Warrant to the Investor within three (3) business days following the date hereof. Upon the Investor’s receipt of the Exchange Warrant it shall promptly surrender and return the original Warrant to the Company.

3. Investor Note Payment. Upon execution hereof, and as a condition to the effectiveness of this Agreement and the issuance of the Exchange Warrant, the Investor shall deliver to the Company \$253,794.09 by wire transfer in full payment, accord and satisfaction of all amounts due under the Investor Note, which represents the outstanding principal balance thereof plus all accrued but unpaid interest thereon less the origination fee due to the Investor under Section 4 of the SPA less reimbursement of Investor legal expenses.

4. Conversion Shares. Upon execution hereof the Company shall deliver to the Investor 286,483 freely tradable shares of Common Stock in full satisfaction of the remaining number of shares of Common Stock due under the Conversion Notices. The Company shall duly and validly issue and deliver such shares to the Investor by DWAC within three (3) business days following the date hereof.

5. Mutual Release; Recession of Notices of Event of Default. In consideration of the terms and provisions of this Agreement, each party, on behalf of itself and its related entities, including, but not limited to, any predecessors, successors, assignors, assigns, owners, partnerships, partners, limited partnerships, limited partners, limited liability companies, members, affiliates, parent corporations, subsidiaries (whether or not wholly owned), divisions, attorneys, officers, directors, employees, stockholders and agents and each of them, shall and do hereby forever relieve, release and discharge the other party each of its related entities, including, but not limited to, any predecessors, successors, assigns, owners, partnerships, partners, limited partnerships, limited partners, limited liability companies, members, affiliates, parent corporations, subsidiaries (whether or not wholly owned), divisions, assignors, assigns, attorneys, officers, directors, employees, stockholders, agents and representatives, from any and all claims, demands, actions, suits, causes of action, debts, costs, expenses, attorneys’ fees, damages, and liabilities of any kind or nature, in law, equity or otherwise, including without limitation, any statutory, civil, or administrative claim, whether known or unknown, suspected or unsuspected, fixed or contingent, apparent or concealed (hereafter, the “**Claims**”), arising out of, related to or connected in any way with the Dispute, provided, however, that nothing herein releases any Claims or rights of any party to enforce the provisions of this Agreement. The Investor hereby revokes and rescinds any Notice(s) of Default sent to the Company by the Investor prior to the date hereof. The Investor acknowledges and agrees that as of the date hereof to its knowledge there exists no Default or Event of Default under the Note. The Company hereby revokes and rescinds any Notice(s) of Default sent to the Investor by the Company prior to the date hereof. The Company acknowledges and agrees that as of the date hereof there exists no Default or Event of Default under the Investor Note, and upon the Company’s receipt of the payment pursuant to Section 3 above all obligations outstanding under the Investor Note shall have been satisfied.

6. Miscellaneous.

- (a) *Company Authorization.* The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and the Exchange Warrant and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Exchange Warrant by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, its board of directors or its stockholders in connection therewith. This Agreement and the Exchange Warrant have been duly executed by the Company and, when delivered in accordance with the terms hereof, will constitute the valid and binding obligations of the Company enforceable against the Company in accordance with their terms.
- (b) *Investor Authorization.* The Investor has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and otherwise to carry out its obligations hereunder. The execution and delivery of this Agreement by the Investor and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Investor and no further action is required by the Investor, its board of directors or its stockholders in connection therewith. This Agreement has been duly executed by the Investor and, when delivered in accordance with the terms hereof, will constitute the valid and binding obligations of the Company enforceable against the Company in accordance with their terms.
- (c) *No Novation; Rule 144.* The Note as amended hereby shall not constitute a novation or satisfaction and accord of the Note. The Company hereby acknowledges and agrees that the Note is merely amended hereby and that the Investor has not given any consideration to the Company in connection with such amendment, and this Agreement shall not extinguish or release the Company under any Transaction Document (other than the prior Warrant upon issuance of the Exchange Warrant) or otherwise constitute a novation of its obligations thereunder. For purposes of Rule 144 promulgated under the Securities Act, the holding period of the Note shall not be affected by this Agreement, and the holding period of the Exchange Warrant shall tack back to February 12, 2010 (the original issue date of the Warrant). The Company agrees to take all actions necessary to issue all shares of Common Stock issuable upon conversion of the Note without restriction and not containing any restrictive legend. The Company agrees not to take any position contrary to this paragraph.

- (d) *Disclosure.* The Company shall publicly disclose the material terms of this Agreement and the transactions contemplated hereby within three (3) business days following the date hereof. The Company and the Investor shall consult with each other in issuing any press release or the filing or disclosure of any other document with respect to the transactions contemplated hereby, *provided however*, that the Company may make such disclosures regarding this Agreement and the transactions contemplated hereby as it shall deem necessary in its sole discretion with respect to the content of any current, periodic or annual report filed by it with the Securities and Exchange Commission, including the filing of this Agreement as an exhibit thereto and the financial statements contained in such reports.
- (e) *Full Force and Effect.* Except as specifically waived and amended hereby, the Transaction Documents shall remain in full force and effect in accordance with their respective terms. Except for the waiver and amendment contained herein, this Agreement shall not in any way waive or prejudice any of the rights or obligations of the Investor or the rights or obligations of the Company under the Transaction Documents, or under any law, in equity or otherwise, and such waiver and amendment shall not constitute a waiver or amendment of any other provision of the Transaction Documents nor a waiver or amendment of any subsequent default or breach of any obligation of the Company or the Investor, or of any subsequent right of the Investor or of the Company. As used in the Transaction Documents, the term “Warrant” or “Warrants” shall refer to the Exchange Warrant in lieu of the Warrant.
- (f) *No Representations.* Except for statements expressly set forth in this Agreement, no party has made any statement or representation to any other party regarding a fact relied upon by the other party in entering into this Agreement and no party has relied upon any statement, representation, or promise of any other party, or of any representative or attorney for any other party, in executing this Agreement or in making the settlement provided for in this Agreement.
- (g) *Factual Investigation.* Each of the parties has read the Agreement carefully, knows and understands the contents of this Agreement, and has made such investigation of the facts pertaining to the settlement and this Agreement and of all matters pertaining to this Agreement as it deems necessary or desirable. Each of the parties enters into this agreement without duress and of its own free will.
- (h) *Independent Legal Advice.* Each of the parties, by their execution of this Agreement, acknowledges that it has received prior independent legal advice from legal counsel of such party's choice with respect to the advisability of making the settlement provided for in this Agreement and with respect to the advisability of executing this Agreement, or that having been advised of its right to same has knowingly and voluntarily elected not to seek such advice.
- (i) *Applicable Law.* This Agreement shall be deemed to have been executed and delivered within the State of New York, and the laws of the State of New York shall apply to the interpretation and enforcement of this Agreement. The sole and exclusive venue for any dispute arising under this Agreement shall be the state courts located in the County of New York, State of New York or the federal courts located in the Southern District of New York, and the parties agree to submit to the personal jurisdiction of those courts and expressly waive any objections based on forum non conveniens or any other objections to those courts exercising personal jurisdiction over them.

- (j) *Disputed Rights.* The parties explicitly acknowledge and covenant that this Agreement represents a settlement and compromise of disputed rights, Claims and defenses, and that except as specifically set forth in this Agreement, by entering into this Agreement, no party admits or acknowledges any liability, wrongdoing, or negligence, all such liability, wrongdoing or negligence being expressly denied.
- (k) *Indemnification and Attorneys' Fees.* In the event that any action, cross-action, suit, arbitration, or other proceeding is instituted to remedy, prevent or obtain relief from a breach of this Agreement, or arising out of a breach of this Agreement, the prevailing party shall recover all of such party's reasonable attorneys' fees and costs incurred in each and every such action, suit, arbitration, or other proceeding, including any and all enforcement proceedings, appeals or petitions.
- (l) *Waiver. Modification. Amendment.* No modification, amendment, or waiver of any of the provisions contained in this Agreement, or any future representations, promise, or condition in connection with the subject matter of this Agreement, shall be binding upon any party to this Agreement unless made in writing and signed by such party or by a duly authorized officer or agent of such party.
- (m) *Negotiated Agreement.* This Agreement is the result of negotiation and no party shall have the Agreement interpreted against it because it was the drafting party
- (n) *Entire Agreement.* This Agreement constitutes an integrated written contract expressing the sole and entire agreement and understanding of the parties to this Agreement with respect to the subject matter hereof, and supersedes any and all prior and contemporaneous discussions, negotiations, agreements and understandings, whether oral or written, with respect to the subject matter hereof.
- (o) *Further Assurances.* The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.
- (p) *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission or by email of a digital image format file.

[Signature Page Follows]

IN WITNESS WHEREOF, as of the date first written above, the parties hereto have duly executed, or caused their authorized officers to duly execute, this Agreement.

AETHLON MEDICAL, INC.

By: /s/ James B. Frakes
Name: James B. Frakes
Title: Chief Financial Officer

GEMINI MASTER FUND, LTD.

By: GEMINI STRATEGIES, LLC, as investment manager

By: /s/ Steven Winters
Steven Winters, Managing Member

Exhibit A

FORM OF EXCHANGE WARRANT

(see attached)
