

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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): June 28, 2011

AETHLON MEDICAL, INC.

(Exact name of Registrant as specified in charter)

Nevada

(State or other jurisdiction of Registrant)

000-21846

(Commission File Number)

13-3632859

(IRS Employer Identification Number)

8910 University Center Lane, Suite 660

San Diego, CA. 92122

(Address of principal executive offices)

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

Not applicable

(Former name or former address, if changed since last report)

FORWARD LOOKING STATEMENTS

This Form 8-K and other reports filed by Registrant from time to time with the Securities and Exchange Commission (collectively the "Filings") contain or may contain forward looking statements and information that are based upon beliefs of, and information currently available to, Registrant's management as well as estimates and assumptions made by Registrant's management. When used in the Filings the words "anticipate", "believe", "estimate", "expect", "future", "intend", "plan" or the negative of these terms and similar expressions as they relate to Registrant or Registrant's management identify forward looking statements. Such statements reflect the current view of Registrant with respect to future events and are subject to risks, uncertainties, assumptions and other factors relating to Registrant's industry, Registrant's operations and results of operations and any businesses that may be acquired by Registrant. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

Although Registrant believes that the expectations reflected in the forward looking statements are reasonable, Registrant cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, Registrant does not intend to update any of the forward-looking statements to conform these statements to actual results.

Item 1.01 Entry into a Material Definitive Agreement

On July 15, 2010, the Registrant issued to Tonaquint, Inc. (the "Investor") a certain (i) Convertible Promissory Note of the Registrant in the original principal amount equal to \$890,000 (the "Note"), and (ii) Warrant to Purchase Shares of Common Stock (the "Warrant"), each of which was issued pursuant to that certain Note and Warrant Purchase Agreement dated as of July 15, 2010 between the Registrant and the Investor. As of the date of the filing of this Current Report, the original Note issued on July 15, 2010 has been fully satisfied, no balance remains under the Note and no further shares of Common Stock are issuable to the Investor under the Note.

On June 28, 2011, the Registrant and the Investor entered into a Termination Agreement that eliminates a minimum of 10.8 million shares of Common Stock that would have been issued under the Warrant exercise formula. The Registrant and the Investor have agreed to terminate the Warrant to prevent continuing dilution of the Registrant's Common Stock and to eliminate confusion or disagreement as to the number of shares of Common Stock available for issuance under the Warrant in the future.

Accordingly, the Termination Agreement provides for the Registrant to issue 3,599,913 shares of Common Stock upon the final exercise of the Warrant, whereupon the Warrant shall be terminated and of no further force or effect. The Termination Agreement also provides for a "Common Stock Sale Limitation" on all Common Stock of the Registrant held by the Investor. Under the "Common Stock Sale Limitation", the daily limitation on the number of shares of Common Stock which the Investor may sell into the market on any trading day is limited to the greater of (i) \$5,000 of sales amount, or (ii) 10% of the Average Daily Volume of the Registrant's Common Stock sold on the Over The Counter Bulletin Board, where the Average Daily Volume shall mean the average daily volume for the prior three month period as reported on each trading day on Yahoo Finance with respect to the Registrant's Common Stock. Under the terms of the Termination Agreement, the Investor has waived and released the Registrant from any obligation to pay or perform, any fees, penalties, costs, or assessments that were or are due, or would have become due, under the Note, the Warrant and the Note Purchase Agreement.

In consideration of the termination of the Warrant, the Registrant shall issue an unsecured non-convertible promissory note (the "New Note") in the principal amount of \$360,185, which provides for annual interest at a rate of 6%, payable monthly in either cash or stock of the Registrant, at the option of the Registrant.

Reference is hereby made to the Termination Agreement and the New Note, attached to this Current Report on Form 8-K as Exhibits 10.1 and 10.2. The foregoing is only a summary of the Termination Agreement and New Note and you are urged to read the Exhibits in their entirety.

Item 9.01 Financial Statements and Exhibits

Exhibits

<u>Item No.</u>	<u>Description</u>
10.1	Termination Agreement
10.2	Unsecured Non-Convertible Promissory Note

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.

Date: June 29, 2011

AETHLON MEDICAL, INC.

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

TERMINATION AGREEMENT

This Termination Agreement (“**Agreement**”) is entered into as of June 28, 2011 by and between AETHLON MEDICAL, INC., a corporation organized under the laws of the State of Nevada (the “**Company**”), and Tonaquint, Inc., a corporation organized under the laws of the State of Utah (the “**Investor**”).

WITNESSETH:

WHEREAS, the Investor holds that certain (i) Secured Convertible Promissory Note of the Company dated as of July 15, 2010 in the original principal amount equal to \$890,000 (the “**Note**”), and (ii) Warrant to Purchase Shares of Common Stock issued July 15, 2010 (the “**Warrant**”), each of which was issued pursuant to that certain Note and Warrant Purchase Agreement dated as of July 15, 2010 between the Company and the Investor (“**NPA**”); each initially capitalized term used but not defined in this Agreement shall have the meaning ascribed thereto in the NPA, Note or Warrant, as applicable;

WHEREAS, the Note has a remaining principal balance and accrued interest of \$157,287.17 (the “**Note Balance**”);

WHEREAS, shares of Common Stock remain available for issuance under the Warrant pursuant to the formula for exercise set forth in the Warrant and shares of Common Stock remain available for issuance under the Note pursuant to the formula for conversion set forth in the Note;

WHEREAS, the Company and the Investor wish to provide for a termination of the Warrant in order to prevent continuing dilution of the Company’s Common Stock and to avoid any continuing confusion as to the number of shares of Common Stock available for issuance under the Warrant; and

WHEREAS, the Company has requested, and the Investor has agreed, to a termination of the Warrant and the Note on the terms and conditions contained herein.

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. Warrant Exercise and Termination; Note Conversion and Termination, and New Note Issuance.

- (a) *Termination.* The Company and the Investor agree that the Investor has submitted two separate Notices of Exercise under the Warrant, one dated May 5, 2011 for 800,002 shares of Common Stock, a copy of which is attached hereto as **Exhibit A**, and the other dated June 21, 2011 for 2,799,911 shares of Common Stock, a copy of which is attached hereto as **Exhibit B** (the shares of Common Stock issuable pursuant to each of the foregoing Notices of Exercise, the “**Warrant Exercise Shares**”). The Company agrees to honor each such Notice of Exercise and to issue to the Investor the Warrant Exercise Shares. The Company and the Investor agree that the Notices of Exercise represent the final exercises for shares of Common Stock under the Warrant by the Investor, and that upon the issuance and delivery of such Warrant Exercise Shares to the Investor the Warrant shall be terminated and of no further force or effect and that the Company shall have no further obligation to issue any shares of Common Stock to the Investor under the Warrant. The Investor agrees to return the original Warrant to the Company within one business day following the Investor’s receipt of the Warrant Exercise Shares and hereby instructs the Company to mark the Warrant as “terminated”. The Company agrees to deliver the Warrant Exercise Shares to the Investor via DWAC within three business days following the execution of this Agreement. It shall be a condition to the effectiveness of the termination of the Warrant that the Warrant Exercise Shares be delivered to the Investor. It shall be a condition to the effectiveness of this Agreement that the Warrant shall be returned to the Company.

- (b) *Conversion of Note Balance.* The Company and the Investor agree that the Investor has submitted a Notice of Conversion of the Note Balance due under the Note for 2,365,837 shares of Common Stock (the “**Note Conversion Shares**”). The Company agrees to honor such Notice of Conversion and to issue to the Investor the Note Conversion Shares. The Company and the Investor agree that the Notice of Conversion represents the final Notice of Conversion for shares of Common Stock under the Note by the Investor, and that upon the issuance and delivery of such Note Conversion Shares to the Investor, the Note shall be terminated and of no further force or effect and that the Company shall have no further obligation to issue any shares of Common Stock to the Investor under the Note. The Investor agrees to return the original Note to the Company within one business day following its receipt of the Note Conversion Shares and hereby instructs the Company to mark the Note as “terminated”. The Company agrees to deliver the Note Conversion Shares to the Investor via DWAC within three business days following the execution of this Agreement. It shall be a condition to the effectiveness of the termination of the Note that the Note Conversion Shares be delivered to the Investor. It shall be a condition to the effectiveness of this Agreement that the Note shall be returned to the Company.
- (c) *New Unsecured Non-Convertible Promissory Note.* In consideration of the termination of the Warrant, the Company agrees to issue to Investor an unsecured non-convertible promissory note in the principal amount of \$360,185 (the “**New Note**”). The New Note shall be in the form of that attached hereto as Exhibit C. The New Note shall provide for interest at the rate of 6% per annum. The New Note shall have a maturity date of April 30, 2012. The Company agrees to deliver the New Note to the Investor within three business days following the execution of this Agreement. It shall be a condition to the effectiveness to this Agreement that the New Note be delivered to the Investor.
- (d) *Common Stock Sale Limitation.* The Company and the Investor agree that all of the Warrant Exercise Shares, the Note Conversion Shares and any other shares of Common Stock owned by the Investor as of the date of this Agreement shall be subject to the following “Common Stock Sale Limitation”: The Investor shall not sell Shares of Common Stock (including the Warrant Exercise Shares and the Note Conversion Shares) into the Principal Market during any single Trading Day in an amount exceeding the greater of (i) \$5,000 of sales amount, or (ii) 10% of the Average Daily Volume (as defined below) of the Company’s Common Stock sold on the Principal Market. “Average Daily Volume” means the average daily volume for the prior three month period as reported on each Trading Day on Yahoo Finance with respect to the Company’s Common Stock. The Investor shall act in good faith in obtaining the Average Daily Volume at the start of each Trading Day for application to such Trading Day and shall act in good faith in implementing a system designed to comply with the Common Stock Sale Limitation. The Common Stock Sale Limitation is a *daily* limitation and any amounts not sold during one Trading Day which could have been sold within the Common Stock Sale Limitation on that Trading Day (but were not sold) may not be carried over to a future Trading Day.

- (e) *Waiver and Release.* The Investor hereby waives and releases the Company from any obligation to pay or perform, any fees, penalties, costs, or assessments that were or are due, or would have become due, under the Note or the Warrant, and the Investor agrees that it shall have no right to demand, attempt to collect or sue for any such amounts whether or not such amounts were due or payable, previously accrued or demanded. The Investor agrees that the issuance of the New Note represents the full and final satisfaction of all claims of the Investor, if any, with respect to the Note and the Warrant. The Investor hereby waives and releases the Company from any obligation to pay or perform, any fees, penalties, costs, or assessments that were or are due, or would have become due, under the NPA as of the date hereof, and the Investor agrees that it shall have no right to demand, attempt to collect or sue for any such amounts whether or not such amounts were due or payable, previously accrued or demanded. The Investor agrees that the issuance of the New Note represents the full and final satisfaction of all claims of the Investor, if any, with respect to the NPA that have accrued as of the date hereof.
- (f) *Buyer Trust Deed Notes.* The Company hereby acknowledges that the Investor has previously paid in full the amounts owed pursuant to each of the Buyer Trust Deed Notes (as defined in the NPA) and that the Investor has no further obligations or liabilities under such Buyer Trust Deed Notes.

2. Miscellaneous.

- (a) *Disclosure.* If the transactions contemplated hereby constitute material non-public information concerning the Company, then the Company shall publicly disclose the material terms of this Agreement and the transactions contemplated hereby within four (4) 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.
- (b) *Applicable Law.* This Agreement shall be deemed governed by the laws of the State of California and such laws shall apply to the interpretation and enforcement of this Agreement. Each of the parties consents to the exclusive jurisdiction of the federal courts whose districts encompass any part of the County of San Diego or the state courts of the State of California sitting in the County of San Diego in connection with any dispute arising under this Agreement or the New Note and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions or to any claim that such venue of the suit, action or proceeding is improper. Nothing in this subsection shall affect or limit any right to serve process in any other manner permitted by law.

- (c) *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.
- (d) *Attorneys' Fees.* In the event of any action at law or in equity to enforce or interpret the terms of this Agreement, the Prevailing Party (as defined hereafter) shall be entitled to reasonable attorneys' fees, court costs and collection costs in addition to any other relief to which such party may be entitled. "**Prevailing Party**" shall mean the party in any litigation or enforcement action that prevails in the highest number of final rulings, counts or judgments adjudicated by a court of competent jurisdiction.

[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 Termination Agreement.

AETHLON MEDICAL, INC.

By: _____
Name:
Title:

TONAQUINT INC.

By: _____
Name:
Title:

Exhibit A
Notice of Exercise

Exhibit B
Notice of Exercise

Exhibit C
Form of New Note

AETHLON MEDICAL, INC.

**UNSECURED PROMISSORY NOTE
DUE APRIL 30, 2012
NON-CONVERTIBLE**

\$360,185.00

June 28, 2011

Aethlon Medical, Inc., a Nevada corporation (the "Company"), for value received, hereby promises to pay to Tonaquint, Inc., a Utah corporation (the "Holder"), the principal sum of Three Hundred Sixty Thousand One Hundred Eighty Five Dollars (\$360,185) on April 30, 2012 (the "Maturity Date") with interest from the date hereof (computed on the basis of a 365-day year) at the rate per annum of six percent (6%) until paid in full. This Note is issued on June 28, 2011 pursuant to a certain Termination Agreement between the Company and the Holder (the "Agreement") of even date herewith. Interest accrued under this Note shall be payable monthly, in arrears, on the first business day of each calendar month commencing on July 1, 2011. The Company may elect to make interest payments in either (a) cash, or (b) shares of the Company's common stock (determined by dividing the interest amount payable by 80% of the average of the closing bid prices for the three (3) trading days with the lowest closing bid prices during the twenty (20) trading days immediately preceding the payment date). Principal and all accrued but unpaid interest shall be paid in cash in one lump sum on the Maturity Date. The place and instructions for the payment of interest and principal to Holder are as follows: St. George Investments, LLC, 303 East Wacker Drive, Suite 1200, Chicago, Illinois 60601

1. General. This Note is transferable only upon written consent of the Company, which consent shall not be unreasonably withheld, and by surrender thereof at the principal office of the Company, duly endorsed by, or accompanied by a written instrument of transfer duly executed by, the registered Holder of this Note or his or its attorney duly authorized in writing; provided, however, that the Holder may transfer this Note to any of its affiliates upon prior written notice but without obtaining the Company's prior consent *provided* that all investment decisions of such affiliate are made by or within the control of, Mr. John Fife.

2. PrePayment. This Note and all principal and interest due or to become due hereunder shall be subject to prepayment, without penalty, by the Company at any time or from time to time, in whole or in part, until the final maturity of the Note.

3. Events of Default. An "Event of Default" occurs if:

(a) the Company defaults in the payment of interest on this Note when the same becomes due and payable and the default continues for ten (10) days after notice thereof is given to the Company;

(b) the Company defaults in the payment of the principal of this Note when the same becomes due and payable and the default continues for ten (10) days after notice thereof;

(c) the Company, pursuant to or within the meaning of any Bankruptcy Law (A) admits in writing its inability to pay its debts generally as they become due, (B) commences a voluntary case or proceeding under any Bankruptcy Law with respect to itself, (C) consents to the entry of a judgment, decree or order for relief against it in an involuntary case or proceeding under any Bankruptcy Law, (D) consents to the appointment of a bankruptcy trustee (a "Bankruptcy Trustee") of its or for any part of its property, (E) consents to or acquiesces in the institution of bankruptcy or insolvency proceedings against it, (F) applies for, consents to or acquiesces in the appointment of a Bankruptcy Trustee, (G) makes a general assignment for the benefit of its creditors, or (H) takes any corporate action for any of the foregoing purposes;

(d) a court of competent jurisdiction enters a judgment, decree or order for relief in respect of the Company in an involuntary case or proceeding under any Bankruptcy Law which shall (A) approve as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the Company, (B) appoint a Bankruptcy Trustee of the Company or for any part of its property, or (C) order the winding-up or liquidation of its affairs and such judgment, decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(e) any bankruptcy or insolvency petition or application is filed, or any bankruptcy or insolvency proceeding is commenced against the Company and such petition, application or proceeding is not dismissed within 60 days.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

4 . Remedies. Upon the occurrence of an Event of Default, interest shall accrue on the unpaid principal balance, as well as any accrued but unpaid interest, penalties and fees, at the rate of 15% per annum. Additionally, if an Event of Default occurs and is continuing, the Holder may, by notice of the Company, declare all unpaid principal and accrued interest then outstanding (if not then due and payable) to be due and payable and, upon any such declaration, the same shall become and be immediately due and payable. If an Event of Default specified in Section 3(c), 3(d) or 3(e) in respect of the Company occurs, all unpaid principal and accrued interest on the Notes then outstanding shall ipso facto become and be immediately due and payable without any declaration or other act on the part of any Holder. The Holder by notice to the Company may rescind an acceleration and its consequences if (i) all existing Events of Default, other than the non-payment of the principal of the Note which has become due solely by such declaration of acceleration, have been cured or waived, (ii) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid, and (iii) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

5 . Interest Limitation. If a law, which applies to this Note and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this Note exceed the permitted limits, then: (i) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (ii) any sums already collected from the Company which exceeded permitted limits will be refunded to the Company. The Holder may choose to make this refund by reducing the principal owed under this Note or by making a direct payment to the Company.

6. Consent to Jurisdiction. This Note shall be deemed governed by the laws of the State of California and such laws shall apply to the interpretation and enforcement of this Note. Each of the parties consents to the exclusive jurisdiction of the federal courts whose districts encompass any part of the County of San Diego or the state courts of the State of California sitting in the County of San Diego in connection with any dispute arising under this Note and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on *forum non conveniens*, to the bringing of any such proceeding in such jurisdictions or to any claim that such venue of the suit, action or proceeding is improper. Nothing in this subsection shall affect or limit any right to serve process in any other manner permitted by law.

7. Unconditional Obligation. No provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the currency or where contemplated herein in shares of the Company's common stock, as applicable, as herein prescribed. This Note is a direct obligation of the Company.

8. Miscellaneous.

(a) The Company and all endorers of this Note hereby waive presentment, demand, protest or notice of any kind in connection with the delivery, acceptance, performance or enforcement of this Note.

(b) No provision thereof shall alter or impair the obligation of the Company which is absolute and unconditional, to pay the principal and interest on this Note as herein prescribed.

(c) If any action at law or in equity is necessary to enforce this Note or to collect payment under this Note, the Holder shall be entitled to recover reasonable attorneys' fees directly related to such enforcement or collection actions.

AETHLON MEDICAL, INC.

By: _____
Name: _____
Title: _____