

AETHLON MEDICAL INC
Form PRE 14A
April 09, 2012

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. ____)

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

AETHLON MEDICAL, INC.

Name of Registrant as Specified In Its Charter

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

AETHLON MEDICAL, INC.
8910 UNIVERSITY CENTER LANE, SUITE 660
SAN DIEGO, CA 92122
(858) 459-7800

Dear Fellow Stockholder:

You are cordially invited to attend a Special Meeting of Stockholders of Aethlon Medical, Inc. The meeting will be held on Monday, June 4, 2012, at 2:00 p.m. PDT at the Hyatt Aventine located in San Diego, California. The purpose of the meeting will be to approve a proposal to amend our Articles of Incorporation to increase the authorized number of shares of Common Stock that we may issue from 250 million shares to 500 million shares. On behalf of our board of directors and your entire Aethlon Medical team, I am asking for your support by returning your enclosed proxy in favor of increasing our authorized shares.

In the past year, we transformed our business when we initiated the marketing of our Aethlon ADAPT™ system, a platform technology that converges affinity drug mechanisms with advanced plasma filtration technology to create novel therapeutic device strategies that allow for the rapid yet selective removal of disease-enhancing particles from the entire circulatory system. Our Aethlon ADAPT™ system provides a pathway to address a wide range of disease conditions. In October, we disclosed that the first sale of our Aethlon ADAPT™ system occurred through a \$6.8 million, multi-year contract awarded to us by the Defense Advanced Research Projects Agency (DARPA). As a result, we rapidly transitioned from a development stage company to a revenue stage organization and expanded our therapeutic pipeline to include sepsis. In the coming month, we plan to pursue a larger contract opportunity under the same DARPA program.

However, as we continue to leverage the expansive nature of the Aethlon ADAPT™ system, an increase in our authorized shares represents a valuable and necessary long-term resource to grow our business. Of particular interest is our ability to establish larger-scale manufacturing capabilities and to support clinical and compassionate-use treatment programs of our Hemopurifier® in the United States and abroad. Such capabilities would also be crucial to our ability to respond to potential demand for our Hemopurifier® in the marketplace, which could first be driven by treatment outcomes in Hepatitis C infected patients. Additionally, the availability of additional authorized and unissued common shares provides us with the ability to establish a potential anti-takeover mechanism that could inhibit unwanted attempts to gain control of our Company.

At present, we have approximately 120 million shares issued and outstanding. However, when taking into account shares underlying warrants, options, and other commitments, we have a very limited number of shares remaining, which threatens strategic initiatives, including those referenced above. To reduce the risk of a common share deficit, I personally have executed an agreement to lock up shares underlying stock purchase options that I have been awarded or acquired since inception of our Company. This agreement will remain in place until an amendment to increase our authorized shares has been approved.

We encourage you to exercise your shareholder voting rights with an affirmative support of our proposal to increase authorized shares. Such support continues our quest to transform the treatment of infectious disease, cancer and other life-threatening conditions.

Respectfully,

/s/ James A. Joyce
James A. Joyce
Chairman & CEO

AETHLON MEDICAL, INC.
8910 UNIVERSITY CENTER LANE, SUITE 660
SAN DIEGO, CA 92122
(858) 459-7800

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Our Stockholders:

A Special Meeting of Stockholders of Aethlon Medical, Inc. (the “Company”) will be held on Monday, June 4, 2012, at 2:00 p.m. (Pacific Time), at the Hyatt Regency at the Aventine, 3777 La Jolla Village Drive, San Diego, California for the following purposes:

- (1) To approve an amendment to our Articles of Incorporation to increase the number of authorized shares of our common stock from 250,000,000 to 500,000,000; and
- (2) To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Stockholders of record at the close of business on April 9, 2012, will be entitled to notice of and to vote at the Special Meeting and at any continuation or adjournment thereof.

BECAUSE OF THE SIGNIFICANCE OF PROPOSAL 1 TO THE COMPANY AND ITS STOCKHOLDERS,
IT IS VITAL THAT EVERY STOCKHOLDER VOTES AT THE SPECIAL MEETING
IN PERSON OR BY PROXY.

Proposal 1 is fully set forth in the accompanying Proxy Statement, which you are urged to read thoroughly. For the reasons set forth in the Proxy Statement, the Board of Directors recommends a vote “FOR” Proposal 1.

All stockholders are cordially invited to attend the Special Meeting in person. Your vote is important. Please fill in, date, sign and return the enclosed proxy in the return envelope provided as promptly as possible, whether or not you plan to attend the Special Meeting. Your promptness in returning the proxy will assist in the expeditious and orderly processing of the proxies and will assist in ensuring that a quorum is present or represented. Even though you return your proxy, you may nevertheless attend the Special Meeting and vote your shares in person if you wish. If you want to revoke your proxy at a later time for any reason, you may do so in the manner described in the attached Proxy Statement.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting
to Be Held on June 4, 2012:

The proxy materials are available at www.icommaterials.com/aethlon.

By Order of the Board of Directors

/s/ James A. Joyce

James A. Joyce, Chairman of the Board

AETHLON MEDICAL, INC.
8910 UNIVERSITY CENTER LANE, SUITE 660
SAN DIEGO, CALIFORNIA 92122
(858) 459-7800

PROXY STATEMENT

FOR SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 4, 2012

VOTING AND PROXY

This statement is furnished in connection with the solicitation by the Board of Directors of Aethlon Medical, Inc. (hereinafter referred to as the “Company,” “we,” “our” or “us”) of proxies to be used at the Special Meeting of Stockholders to be held at the Hyatt Regency at the Aventine, 3777 La Jolla Village Drive, San Diego, California on Monday, June 4, 2012, at 2:00 p.m. (Pacific Time), and at any meeting following adjournment thereof (the “Meeting”). Stockholders may obtain directions in order to attend and vote at the Meeting at www.aethlonmedical.com under “About Aethlon” – “Contact Us.”

The Notice of Special Meeting, this Proxy Statement and the accompanying proxy card are being mailed to stockholders on or about April 20, 2012.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on June 4, 2012: The proxy materials are available at www.icommaterials.com/aethlon.

What is the purpose of the Meeting?

At the Meeting, our stockholders will vote on an amendment to our Articles of Incorporation to increase the number of authorized shares of our common stock, \$.001 par value (“Common Stock”) from 250,000,000 to 500,000,000. Our stockholders also will vote on any other business to properly come before the Meeting.

Who is entitled to vote at the Meeting?

Stockholders of record at the close of business on April 9, 2012 (the “Record Date”) are entitled to receive notice of and to vote at the Meeting. Each share of Common Stock outstanding at the close of business on the Record Date will be entitled to one vote on all matters properly submitted to a vote at the Meeting. As of the Record Date, there were 120,318,922 shares of Common Stock outstanding. If you were a stockholder of record of Common Stock on the Record Date, you will be entitled to vote all of the shares of Common Stock that you held on that date at the Meeting or any postponements or adjournments of the Meeting. Stockholders who own shares registered in different names or at different addresses may receive more than one proxy card. You must sign each of the proxy cards received to ensure that all of the shares you own are represented at the Meeting.

Why is the Company soliciting proxies?

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As many of our stockholders may be unable to attend the Meeting in person, the Board of Directors solicits the enclosed proxy so that each stockholder is given an opportunity to vote. The proxy enables each stockholder to vote via proxy on all matters that are scheduled to come before the Meeting. When a properly executed proxy card is returned, the stockholder's shares will be voted according to the stockholder's directions. Stockholders are urged to specify their choices by marking the appropriate box on the enclosed proxy card.

What constitutes a quorum?

A majority of the shares entitled to vote, present in person or represented by proxy at the Meeting, shall constitute a quorum. Votes cast by proxy or in person at the Meeting will be tabulated by the Inspector of Election in conjunction with information received from our transfer agent. The Inspector of Election also will determine whether or not a quorum is present.

Shares that abstain from voting as to the proposal, and shares held in “street name” by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to the proposal (“broker non-votes”), will be counted for purposes of determining whether a quorum is present at the Meeting.

What vote is required to approve Proposal 1?

The affirmative vote of holders of a majority of the shares issued and outstanding on the Record Date is required to approve the amendment of the Company’s Articles of Incorporation.

How do I vote?

The Company is offering you two methods of voting your shares:

- You may indicate your vote on the enclosed proxy card, sign and date the card, and return it in the enclosed prepaid envelope; or
- You may attend the Meeting and vote in person.

How will my shares be voted if I return my proxy card?

All shares entitled to vote and represented by properly executed proxies received prior to the Meeting, and not revoked, will be voted as instructed on those proxies. If no instructions are indicated, the shares will be voted as recommended by the Board of Directors.

If any other matters are properly presented at the Meeting for consideration, the persons named in the enclosed form of proxy and acting thereunder will have discretion to vote on those matters in accordance with their own judgment to the same extent as the person signing the proxy would be entitled to vote. The Company does not anticipate that any other matters will be raised at the Meeting.

May I change my vote after I return my proxy card?

Any proxy may be revoked at any time before it is voted at the Meeting by (i) filing with the Secretary of the Company, at or before the taking of the vote at the Meeting, a written notice of revocation or duly executed proxy, in either case dated later than the prior proxy relating to the same shares or (ii) attending the Meeting and voting in person (although attendance at the Meeting will not of itself revoke a proxy). Any written notice of revocation or subsequent proxy should be sent so as to be delivered to Aethlon Medical, Inc., 8910 University Center Lane, Suite 660, San Diego, California 92122, Attention: Secretary, or hand delivered to the Secretary, before the taking of the vote at the Meeting.

Who will bear the costs of this solicitation?

This Proxy Statement is being delivered to you on our behalf. We are bearing the expenses of preparing, printing, web hosting and mailing this Proxy Statement and other proxy materials and all other expenses of soliciting proxies. We have retained InvestorCom, Inc. ("InvestorCom") to solicit proxies on our behalf and to request brokerage houses, banks and other custodians, nominees and fiduciaries to forward soliciting material to the beneficial owners of the Common Stock held of record by those persons. We agreed to pay InvestorCom a fee of \$4,500 for these services and will reimburse InvestorCom for all reasonable out-of-pocket expenses incurred by it in the performance of its duties as our proxy solicitor, including reimbursing it for any payments made on our behalf to brokers and other nominee holders for their expenses in forwarding soliciting material. We also have agreed that InvestorCom's fees may increase if certain changes in the scope of its services occur. In addition, our directors, officers and employees may solicit proxies by personal interview, mail, telephone, facsimile, internet or other means of electronic transmission, although they will receive no additional compensation for such solicitation.

Where can I find the proxy materials for the Meeting on the internet?

Stockholders may access the following proxy materials at www.icommaterials.com/aethlon: our Notice of Special Meeting of Stockholders, Proxy Statement and proxy card.

How are proxy materials delivered to households?

The Company will deliver only one Proxy Statement or Notice of Internet Availability of Proxy Materials, as applicable, to multiple stockholders sharing an address unless we have received contrary instructions from one or more of the stockholders. The Company will promptly deliver a separate copy of this Proxy Statement or the Notice of Internet Availability of Proxy Materials, as applicable, to a stockholder at a shared address to which a single copy of any such document was delivered upon oral or written request to:

Aethlon Medical, Inc.
Attn: Secretary
8910 University Center Lane, Suite 660
San Diego, California 92122
Telephone No.: (858) 459-7800

A stockholder may direct notification to the Company at the above address or phone number that such stockholder wishes to receive a separate proxy statement, annual report to stockholders or Notice of Internet Availability of Proxy Materials, as applicable, in the future. Stockholders sharing an address may direct to the Company at the above address or phone number requests for delivery of a single copy of annual reports to stockholders, proxy statements or Notices of Internet Availability of Proxy Materials if they are receiving multiple copies of such documents.

PROPOSAL #1 – APPROVAL OF AMENDMENT TO ARTICLES OF INCORPORATION
TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF OUR COMMON STOCK
FROM 250,000,000 TO 500,000,000

We believe that an increase in the number of authorized shares of our Common Stock is necessary in order to assure that a sufficient number of shares of our Common Stock are available for issuance in the future if our Board of Directors deems it to be in our and our stockholders' best interests. Without an increase in the authorized capital, we may not be able to raise needed operating capital. A total of an additional 250,000,000 shares of Common Stock has been determined by our Board of Directors to be a reasonable estimate of what might be required in this regard for the foreseeable future to accommodate fundraising and other opportunities involving the issuance of our Common Stock. Immediately following this increase, the Company will have approximately 379,681,078 shares of Common Stock authorized but unissued and available for issuance.

The additional shares of Common Stock to be authorized by adoption of the amendment of the Company's Articles of Incorporation (the "Amendment") would have rights identical to the currently outstanding shares of Common Stock. Adoption of the Amendment would not affect the rights of the holders of currently outstanding Common Stock, except to the extent additional shares actually are issued, which may have certain effects, including dilution of the earnings per share and voting rights of current holders of Common Stock. If the Amendment is adopted, it will become effective upon filing of the Articles of Amendment with the Office of the Secretary of State of the State of Nevada. If the Amendment is adopted, the Articles of Amendment giving effect to the Amendment will be filed as soon as practicable. The text of the Amendment is attached to this Proxy Statement as Exhibit A.

The remaining authorized but unissued shares of Common Stock will be available for issuance from time to time as may be deemed advisable or required for various purposes, including the issuance of shares in connection with financings or acquisition transactions and the issuance or reservation of Common Stock for employee stock options. The Company's Board will be able to authorize the issuance of shares for these transactions without the necessity, and related costs and delays, of either calling a special stockholders' meeting or waiting for the regularly scheduled Annual Meeting of Stockholders in order to increase the authorized capital. If in a particular transaction stockholder approval were required by law, applicable stock exchanges or markets, or were otherwise deemed advisable by the Board, then the matter would be referred to the stockholders for their approval notwithstanding that the Company might have the requisite number of voting shares to consummate the transaction.

The Amendment is not intended to have any anti-takeover effect and is not part of any series of anti-takeover measures contained in the Articles of incorporation or the Bylaws of the Company in effect on the date of this Proxy Statement. However, the Company's stockholders should note that the availability of additional authorized and unissued shares of Common Stock could make any attempt to gain control of the Company or the Board more difficult or time-consuming and that the availability of additional authorized and unissued shares might make it more difficult to remove management. Although the Board currently has no intention of doing so, shares of Common Stock could be issued by the Board to dilute the percentage of Common Stock owned by any stockholder and increase the cost of, or the number of, voting shares necessary to acquire control of the Board or to meet the voting requirements imposed by Nevada law with respect to a merger or other business combination involving the Company. The Company is not aware of any proposed attempt to take over the Company. The Company has no present intention to use the increased number of authorized shares of Common Stock for anti-takeover purposes.

Upon filing the Amendment with the Secretary of State of the State of Nevada, the Company's authorized shares will increase from two hundred fifty million shares to five hundred million shares, all of which will be Common Stock.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR"
THE APPROVAL OF THE INCREASE IN AUTHORIZED SHARES.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of March 31, 2012, with respect to the ownership of our Common Stock, by (i) each person known by us to be the beneficial owner of more than five percent (5%) of the outstanding shares of each class of our capital stock, (ii) each of our directors and director nominees, (iii) each of our named executive officers and (iv) all of our executive officers and directors as a group. The term “executive officer” is defined as the President, Chief Executive Officer, Secretary, Chief Financial Officer/Treasurer, any vice-president in charge of a principal business function (such as administration or finance), or any other person who performs similar policy making functions for the Company. We believe that each individual or entity named has sole investment and voting power with respect to shares of Common Stock indicated as beneficially owned by them, subject to community property laws where applicable, except where otherwise noted:

TITLE OF CLASS	NAME AND ADDRESS	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (1)(2)	PERCENT OF BENEFICIAL OWNERSHIP
Common Stock	James A. Joyce, Chief Executive Officer and Director 8910 University Center Lane, Suite 660 San Diego, CA 92122	14,043,799 shares (3)	10.9%
Common Stock	Richard H. Tullis, PhD, Chief Scientific Officer and Director 8910 University Center Lane, Suite 660 San Diego, CA 92122	3,135,925 shares (4)	2.6%
Common Stock	Rodney S. Kenley, President and Director 8910 University Center Lane, Suite 660 San Diego, CA 92122	415,831 shares (5)	*
Common Stock	James B. Frakes, Chief Financial Officer 8910 University Center Lane, Suite 660 San Diego, CA 92122	510,000 shares (6)	*
Common Stock	Franklyn S. Barry, Jr., Director 8910 University Center Lane, Suite 660 San Diego, CA 92122	1,203,976 shares (7)	1.0%
Common Stock	Edward G. Broenniman, Director 8910 University Center Lane, Suite 660 San Diego, CA 92122	1,490,899 shares (8)	1.3%
Common Stock	Ellen R Weiner Family Revocable Trust (9) 10645 N. Tatum Blvd., Suite 200-166	12,596,536 shares (10)	9.9%

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Phoenix, AZ 85028			
Common Stock	Estate of Allen S. Bird (9) PO Box 371179 Las Vegas, NV 89137	8,067,998 shares (10)	6.4%
Common Stock	Phillip A. Ward (9) PO Box 3322 Rancho Santa Fe, CA 92067	6,007,321 shares (11)	4.99%
Common Stock	Alpha Capital Anstalt (9) c/o LH Financial Services Corp. 150 Central Park South, 2nd Floor New York, NY 10019	6,172,027 shares (12)	4.99%
Common Stock	Osher Capital (9) c/o LH Financial Services Corp. 150 Central Park South, 2nd Floor New York, NY 10019	6,172,027 shares (13)	4.99%
Common Stock	All Current Directors and Executive Officers as a Group (6 members)	20,800,430 shares	15.5%

* Less than 1%

(1) Based on 117,515,892 shares of Common Stock outstanding on the transfer records of the Company as of March 31, 2012.

(2) Calculated pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934. Under Rule 13d-3(d)(1), shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable by a person within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. Except where otherwise noted, the Company believes that each individual or entity named has sole investment and voting power with respect to the shares of Common Stock indicated as beneficially owned by such person, subject to community property laws, where applicable.

(3) Includes 2,231,100 stock options exercisable at \$0.38 per-share, 2,857,143 stock options exercisable at \$0.21 per share, 2,500,000 stock options exercisable at \$0.36 per share and 3,500,000 stock options exercisable at \$0.25 per share. An additional 1,000,000 stock options (exercisable at \$0.25 per share) granted to Mr. Joyce are excluded from the above table as that portion will vest after 60 days from March 31, 2012.

In addition, Mr. Joyce has been granted 4,000,000 shares of restricted common stock, which vest over a 36-month period commencing June 30, 2010; however, such shares will not be issued until Mr. Joyce requests delivery of such vested shares. The above table includes 2,555,556 shares, representing 23 months of vesting under the 4,000,000 share grant. As of March 31, 2012, Mr. Joyce has accepted 600,000 of such shares.

On March 26, 2012, Mr. Joyce entered into an Option Suspension Agreement whereby Mr. Joyce agreed not to exercise his stock options pending the filing of amended Articles of Incorporation of the Company increasing our authorized capital. Accordingly, none of Mr. Joyce's options can be exercised until the amended Articles of Incorporation have been filed. The agreement also provides Mr. Joyce certain protections in the event that the Company should undergo a change of control transaction while exercise of his options is suspended. Such protections include the right to receive, in the form of cash payments, the positive value of his options (which remain subject to suspension) at the time of such transaction. Mr. Joyce may revoke such Agreement without penalty to him.

(4) Includes 867,175 stock options exercisable at \$0.38 per share, 750,000 stock options exercisable at \$0.41 per share and 1,000,000 stock options exercisable at \$0.25 per share.

(5) Includes 395,831 stock options exercisable at \$0.25 per share. An additional 604,169 stock options (exercisable at \$0.25 per share) granted to Mr. Kenley are excluded from the table as that portion will vest after 60 days from March 31, 2012.

(6) Includes 500,000 stock options exercisable at \$0.25 per share.

On March 26, 2012, Mr. Frakes entered into an Option Suspension Agreement whereby Mr. Frakes agreed not to exercise his stock options pending the filing of amended Articles of Incorporation of the Company increasing our authorized capital. Accordingly, none of Mr. Frakes' options can be exercised until the amended Articles of Incorporation have been filed. The agreement also provides Mr. Frakes certain protections in the event that the Company should undergo a change of control transaction while exercise of his options is suspended. Such protections include the right to receive, in the form of cash payments, the positive value of his options (which remain subject to suspension) at the time of such transaction. Mr. Frakes may revoke such Agreement without penalty to him.

(7) Includes 264,550 stock options exercisable at \$0.38 per share, 500,000 stock options exercisable at \$0.41 per share and 333,333 stock options exercisable at \$0.25 per share. An additional 166,667 stock options (exercisable at \$0.25 per share) granted to Mr. Barry are excluded from the table as that portion will vest after 60 days from March 31, 2012.

(8) Includes 308,725 stock options exercisable at \$0.38 per share, 500,000 stock options exercisable at \$0.41 per share and 400,000 stock options exercisable at \$0.25 per share. An additional 200,000 stock options (exercisable at \$0.25 per share) granted to Mr. Broenniman are excluded from the table as that portion will vest after 60 days from March 31, 2012.

(9) More-than-5% stockholder.

(10) Includes certain shares issuable upon conversion of a convertible note and exercise of warrants held by the Ellen R. Weiner Family Revocable Trust (the "Trust") and all shares issuable upon conversion of a convertible note

and exercise of warrants held by the Estate of Allan S. Bird (the "Estate"). The Trust owns a convertible promissory note in the principal amount of \$660,000 convertible into 15,751,790 shares at \$0.0419 per share and 8,769,897 warrants to purchase common shares at \$0.0419 per share. The Estate owns a convertible promissory note in the principal amount of \$225,000 convertible into 5,369,928 shares at \$0.0419 per share and 2,698,070 warrants to purchase common shares at \$0.0419 per share. Beneficial ownership by each of the Trust and the Estate is limited contractually to the extent that such conversion or exercise would cause the aggregate number of shares of common stock beneficially owned by either to exceed 9.9%. Accordingly, beneficial ownership for the Trust does not reflect 14,799,838 shares underlying the convertible note and warrants that would cause the number of shares beneficially owned by the Trust to be 18.1% of our outstanding shares. Mr. Bird was Ms. Weiner's father-in-law. The Ellen R. Weiner Family Trust disclaims any beneficial ownership of the Estate's note, associated warrants and underlying common stock. The Estate of Mr. Bird disclaims any beneficial ownership of the Trust's note, associated warrants and underlying common stock.

(11) Includes certain shares issuable upon the conversion of convertible notes and exercise of warrants held by Phillip A. Ward. Mr. Ward owns a convertible note in the principal amount of \$100,000 convertible into 1,111,111 shares of common stock at \$0.09 per share; and a convertible note in the principal amount of \$157,656 convertible into 1,751,733 shares of common stock at \$0.09 per share; and warrants to purchase 100,000 shares of common stock at an exercise price of \$0.176 per share; warrants to purchase 194,118 shares of common stock at an exercise price of \$0.17 per share; warrants to purchase 555,556 shares of common stock at an exercise price of \$0.18 per share; warrants to purchase 555,556 shares of common stock at an exercise price of \$0.18 per share; warrants to purchase 555,556 shares of common stock at an exercise price of \$0.18 per share; warrants to purchase 194,118 shares of common stock at an exercise price of \$0.17 per share; warrants to purchase 1,111,111 shares of common stock at \$0.125 per share; and warrants to purchase 1,751,735 shares of common stock at \$0.125 per share. Mr. Ward's beneficial ownership is limited contractually to the extent that exercise of such notes and warrants would cause the aggregate number of shares of common stock beneficially owned by Mr. Ward to exceed 4.99% of our outstanding shares. Accordingly, beneficial ownership for Mr. Ward does not reflect 5,009,288 shares underlying such notes and warrants that would cause the number of shares beneficially owned by Mr. Ward to be 8.8% of our outstanding shares.

(12) Includes certain shares issuable upon the conversion of convertible notes and exercise of warrants held by Alpha Capital Anstalt ("Alpha"). Alpha owns a convertible note in the principal amount of \$240,000 convertible into 4,395,604 shares of common stock at \$0.0546 per share; a convertible note in the principal amount of \$275,000 convertible into 5,036,630 shares of common stock at \$0.0546 per share; and a convertible note in the principal amount of \$152,500 convertible into 2,178,571 shares of common stock at \$0.07 per share; and warrants to purchase 1,237,500 shares of common stock at an exercise price of \$0.10 per share; warrants to purchase 495,000 shares of common stock at an exercise price of \$0.10 per share; warrants to purchase 1,375,000 shares of common stock at an exercise price of \$0.10 per share; warrants to purchase 1,375,000 shares of common stock at an exercise price of \$0.10 per share; warrants to purchase 3,257,500 shares of common stock at an exercise price of \$0.10 per share; warrants to purchase 3,257,500 shares of common stock at an exercise price of \$0.10 per share; and warrants to purchase 2,178,571 shares of common stock at an exercise price of \$0.10 per share. Alpha's beneficial ownership is limited contractually to the extent that exercise of such notes and warrants would cause the aggregate number of shares of common stock beneficially owned by Alpha to exceed 4.99% of our outstanding shares. Accordingly, beneficial ownership for Alpha does not reflect 18,614,850 shares underlying such notes and warrants that would cause the number of shares beneficially owned by Alpha to be 17.4% of our outstanding shares.

(13) Includes certain shares issuable upon the conversion of convertible notes and exercise of warrants held by Osher Capital ("Osher"). Osher owns a convertible note in the principal amount of \$75,000 convertible into 1,373,626 shares of common stock at \$0.0546 per share; a convertible note in the principal amount of \$18,700 convertible into 342,491 shares of common stock at \$0.0546 per share; and a convertible note in the principal amount of \$125,400 convertible into 2,296,703 shares of common stock at \$0.0546 per share; and warrants to purchase 247,500 shares of common stock at an exercise price of \$0.10 per share; warrants to purchase 181,500 shares of common stock at an exercise price of \$0.10 per share; warrants to purchase 825,000 shares of common stock at an exercise price of \$0.10 per share; warrants to purchase 115,500 shares of common stock at an exercise price of \$0.10 per share; warrants to purchase 825,000 shares of common stock at an exercise price of \$0.10 per share; warrants to purchase 115,500 shares of common stock at an exercise price of \$0.10 per share; warrants to purchase 1,559,000 shares of common stock at an exercise price of \$0.10 per share; and warrants to purchase 1,559,000 shares of common stock at an exercise price of \$0.10 per share. Osher's beneficial ownership is limited contractually to the extent that exercise of such notes and warrants would cause the aggregate number of shares of common stock beneficially owned by Osher to exceed 4.99% of our outstanding shares. Accordingly, beneficial ownership for Osher does not reflect 3,268,793 shares underlying such notes and warrants that would cause the number of shares beneficially owned by Osher to be 7.4% of our outstanding shares.

STOCKHOLDER PROPOSALS FOR NEXT ANNUAL MEETING

Pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, any stockholder who desires to include a proposal in the proxy statement for the next Annual Meeting of Stockholders of the Company must deliver the proposal to our principal executive office a reasonable time before the Company begins to print and send its proxy materials for the meeting. Any stockholder proposal submitted outside the processes of Rule 14a-8 will be considered untimely if not delivered to our principal executive office a reasonable time before the Company begins to send its proxy materials for the meeting.

Notice of intention to present a proposal at the next Annual Meeting of Stockholders should be addressed to the Secretary, Aethlon Medical, Inc., 8910 University Center Lane, Suite 660, San Diego, California 92122. We reserve the right to vote against, reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these requirements.

TRANSACTION OF OTHER BUSINESS

Management does not know of any matters to be brought before the Meeting other than those referred to in this Proxy Statement. If any matters that are not specifically set forth in the form of proxy and this Proxy Statement properly come before the Meeting, the persons designated as proxies will vote thereon in accordance with their best judgment.

PROXY

AETHLON MEDICAL, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
FOR THE SPECIAL MEETING ON JUNE 4, 2012

This proxy will be voted as specified by the stockholder. If no specification is made, all shares will be voted "FOR" the approval of the proposal set forth in the Proxy Statement.

The stockholder(s) represented herein appoint(s) James A. Joyce and Richard H. Tullis, and each of them, proxies with the power of substitution to vote all shares of Common Stock entitled to be voted by said stockholder(s) at the Special Meeting of the Stockholders of Aethlon Medical, Inc. to be held at the Hyatt Regency at the Aventine, 3777 La Jolla Village Drive, San Diego, California 92122, on June 4, 2012, at 2:00 p.m. (Pacific Time), and in any adjournment or postponement thereof as specified in this proxy.

PROPOSAL #1-APPROVAL OF INCREASE IN AUTHORIZED SHARES OF COMMON STOCK

FOR []

AGAINST []

ABSTAIN []

PLEASE MARK, DATE AND SIGN YOUR PROXY CARD AND MAIL IT IN THE ENCLOSED ENVELOPE AS SOON AS POSSIBLE.

IN THEIR DISCRETION, PROXIES ARE ENTITLED TO VOTE UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.

COMPANY ID:

PROXY NUMBER:

ACCOUNT NUMBER:

Signature _____

Date _____

Signature _____

Date _____

Note: Please sign as your name appears hereon. If shares are registered in more than one name, all owners should sign. If signing in a fiduciary or representative capacity, please give full title and attach evidence of authority. Corporations, please sign with full corporate name by a duly authorized officer and affix corporate seal.

Certificate of Amendment to Articles of Incorporation
For Nevada Profit Corporations
(Pursuant to NRS 78.385 and 78.390 – After Issuance of Stock)

1. Name of corporation: Aethlon Medical, Inc.

2. The articles have been amended as follows:

“Article V. Common Stock and Voting.

The Corporation shall have the authority to issue an aggregate of five hundred million (500,000,000) shares, with a par value of \$.001 per share. All shares will be of the same class, designated ‘common’ shares, with the same rights. Shares may only be issued as fully paid and non-assessable, and may be issued at such times, upon such terms and conditions and for such consideration as the Board of Directors shall determine. Each common share shall be entitled to one vote concerning all matters as to which the Corporation’s stockholders shall be entitled to vote. The Corporation’s common stock shall not be subject to assessment to pay any debts of the Corporation.”

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation have voted in favor of the amendment is: _____

4. Effective date of filing: _____
(optional)

(must not be later than 90 days after the certificate is filed)

5. Signature: (required)

Signature of Officer

NT> 5652012 49

Total \$4,128

The carrying amount of goodwill as of December 31, 2007 and 2006, was \$40.8 million and \$39.8 million, respectively. The Company performs its annual test for indications of impairment as of December 31st each year. The Company completed its annual test for impairment as of December 31, 2007 and 2006, and determined that goodwill was not impaired at that time.

Note 9 Other Current Liabilities

The following is a summary of accrued and other current liabilities as of December 31, (in thousands):

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	2007	2006
	<u> </u>	<u> </u>
Accrued compensation	\$ 29,722	\$ 24,449
Deferred revenue	24,416	16,661
Accrued warranty	13,994	13,274
Current portion of deferred tax liability	7,293	12,563
Income taxes payable	18,949	7,010
Accrued professional services	5,827	4,213
Accrued VAT and sales and use taxes	185	4,199
Accrued expenses	24,086	12,438
	<u> </u>	<u> </u>
Total other current liabilities	\$ 124,472	\$ 94,807
	<u> </u>	<u> </u>

The Company typically provides a one-year parts and labor warranty with the purchase of equipment. The anticipated cost for this one-year warranty is accrued upon recognition of the sale and is included as a current liability on the balance sheet. The Company also offers to its customers warranty and service agreements extending beyond the initial year of warranty for a fee. These fees are

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recorded as deferred revenue and amortized into income over the life of the extended warranty contract.

Warranty accrual at December 31, 2005	\$ 9,326
Accruals for warranties issued during the period	12,145
Settlements of warranty claims	(9,019)
Foreign currency impact	822
	<hr/>
Warranty accrual at December 31, 2006	13,274
Accruals for warranties issued during the period	9,200
Settlements of warranty claims	(9,428)
Foreign currency impact	948
	<hr/>
Warranty accrual at December 31, 2007	\$ 13,994
	<hr/>

Note 10 Debt

The Company's debt obligations consist of the following as of December 31, (in thousands):

	<u>2007</u>	<u>2006</u>
Two Euro bank loans at fixed rate of 4.65%, collateralized by land and buildings of Bruker Daltonik GmbH, monthly interest payments, due and payable through 2008	\$ 11,192	\$ 10,115
Euro bank loan at fixed rate of 3.05%, collateralized by land and buildings of Bruker Daltonik GmbH, monthly interest payments, due and payable through 2008	5,107	4,616
Euro bank loan at fixed rate of 2.95%, collateralized by land and buildings of Bruker Daltonik GmbH, monthly principal and interest payments due and payable through 2010	1,786	2,282
Euro mortgage loan at 6-month European Interbank Offered Rate (EURIBOR) (4.71% at December 31, 2007) plus 1.00%, collateralized by a building located in Karlsruhe, Germany, biannual principal and interest payments due and payable through October 2012	2,918	3,033
Two Euro bank loans at fixed rate of 4.65% and 8.01%, respectively, collateralized by certain Bruker AXS accounts receivables, biannual principal payments and quarterly interest payments, due and payable through March 2013	308	299
Euro mortgage loan at 6-month European Interbank Offered Rate (EURIBOR) (4.71% at December 31, 2007) plus 0.75%, collateralized by a building located in Ettlingen, Germany, biannual principal and interest payments due and payable through October 2011		422
State of Wisconsin industrial revenue bonds at variable interest rate based on the Securities Industry and Financial Markets Association Municipal Swap Index (3.42% at December 31, 2007), collateralized by an irrevocable letter of credit, annual principal payments and monthly interest payments, due and payable through December 2013	1,460	1,660
Japanese Yen bank loan at a fixed rate of 1.8%, uncollateralized, quarterly principal and interest payments due and payable through 2009	403	629
Japanese Yen bank loan at a fixed rate of 2.03%, uncollateralized, quarterly principal and interest payments due and payable through 2011	1,878	2,268
	<hr/>	<hr/>
Total long-term debt	25,052	25,324
Less: current portion of long-term debt	(18,658)	(2,461)
	<hr/>	<hr/>

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	<u>2007</u>	<u>2006</u>
Total long-term debt, less current portion	\$ 6,394	\$ 22,863

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Annual maturities of long-term debt are as follows (in thousands):

2008	\$	18,658
2009		2,235
2010		1,688
2011		1,170
2012		963
Thereafter		338
Total	\$	25,052

The State of Wisconsin industrial revenue bonds (IRB) were entered into in 1999 in connection with the construction of Bruker AXS' building in Madison, Wisconsin. Bruker AXS has an interest rate swap associated with the IRB which is not designated as a hedge. Bruker AXS pays a 4.60% fixed rate of interest and receives a variable rate of interest based on the Securities Industry and Financial Markets Municipal Swap Index. The contract has a \$1.7 million notional value which decreases in conjunction with the IRB payment schedule until the swap and IRB agreements terminate in December 2013. The fair value of the swap, obtained from dealer quotes, resulted in a loss of \$0.1 million during each of the years ended December 31, 2007 and 2006. Interest payments receivable and payable under the terms of the swap are accrued over the period and are treated as an adjustment to interest expense. The letter of credit is renewable upon mutual agreement of Bruker AXS and the financial institution. If the letter of credit is not renewed and Bruker AXS is unable to obtain a similar letter of credit with another financial institution, the IRB may be callable at the option of the bond trustee. The Company's outstanding letter of credit expires in December 2008 and is collateralized by substantially all of the assets of Bruker AXS. The letter of credit contains various financial and other covenants. As of December 31, 2007, the latest measurement date, the Company was in compliance with the required debt service coverage ratio associated with the IRB.

The Company maintains lines of credit at financial institutions in the United States, Germany, Japan and France with an aggregate maximum credit amount of approximately \$121.0 million and \$75.3 million at December 31, 2007 and 2006, respectively. As of December 31, 2007 and 2006, the Company had outstanding borrowings of approximately \$13.1 million and \$19.4 million, respectively. Taking outstanding letters of credit into consideration, the Company had availability of approximately \$94.7 million and \$46.8 million at December 31, 2007 and 2006, respectively. For the line of credit in the United States, the Company issued a demand promissory note to Citizens Bank for \$40 million in July 2006, which was increased to \$75 million in September 2007. The note bears interest at the bank's prime rate, LIBOR plus 1%, or a LIBOR advantage rate plus 1% at the request of the Company. All of the Company's obligations under the line of credit are secured by the pledge to the bank of 100% of the capital stock of each of the Company's wholly-owned domestic subsidiaries, each of which also pledged a portion of the stock of certain of their foreign subsidiaries. As of December 31, 2007, \$75 million of the United States line of credit was available. For the lines of credit in Germany, which are unsecured, interest is paid monthly on outstanding borrowings based on the banks' variable interest rates, which were between 4.94%-9.75% at December 31, 2007. For the lines of credit in Japan, the interest rates were between 1.50% and 1.79% at December 31, 2007, and these lines of credit have no maturity date and are uncollateralized. For the line of credit in France, which is unsecured, interest is paid monthly on outstanding borrowings based on the floating rate used by French institutions (TMM) of TMM plus 0.75%, which was 4.69% at December 31, 2007.

Interest expense for the years ended December 31, 2007, 2006 and 2005, was \$1.8 million, \$2.2 million and \$2.1 million, respectively.

Note 11 Derivative Instruments and Hedging Activities

Interest Rate Risk Management

The Company is party to interest rate swaps and cross currency rate swaps in order to minimize the volatility that changes in interest rates might have on earnings and cash flows.

In 1999, the Company entered into an interest rate swap arrangement to pay a 4.60% fixed rate of interest and receive a variable rate of interest based on the Securities Industry and Financial Markets Municipal Swap Index through December 2013. The notional amount of the interest rate swap arrangement was \$1.7 million at December 31, 2007 and 2006, respectively. Effective January 1, 2003, the Company determined that the interest rate swap was no longer an effective hedge as defined by SFAS No. 133 in offsetting the change in interest cash flows being hedged and, accordingly, the changes in the swap's fair value are being recorded in current earnings in interest and other income (expense), net in the consolidated statements of operations. The Company obtains third-party verification of fair value at the end of each reporting period. As of December 31, 2007 and 2006, this interest rate swap had a fair value of \$(0.1) million and is recorded in other current liabilities.

In 2002, the Company entered into a cross currency interest rate swap arrangement under which the Company receives semiannual interest payments in EUROS based on a variable interest rate equal to the six-month EURIBOR rate in exchange for semiannual payments in Swiss francs at a fixed rate of 4.97% through December 2011. The notional amount of this interest rate swap arrangement was €5.0 million. The instrument was considered a speculative derivative financial instrument, and as such, did not qualify for hedge accounting under SFAS No. 133. Accordingly, the changes in the fair value of the swap are being recorded in current earnings in interest and other income (expense), net in the consolidated statements of operations. The Company obtains third-party verification of fair value at the end of each reporting period. As of December 31, 2007 and 2006, this interest rate swap had a fair value of \$0.6 million and \$0.2 million, respectively, and was recorded in other current assets.

In addition, the Company entered into a second interest rate swap arrangement during 2002 that reduced the 6-month EURIBOR rate by 1.80% through January 2007. The notional amount of this interest rate swap arrangement was €3.0 million. The instrument was also considered a speculative derivative financial instrument, and as such, did not qualify for hedge accounting under SFAS No. 133. As of December 31, 2006, this interest rate swap had a fair value of less than \$(0.1) million.

Foreign Exchange Rate Risk Management

The Company generates a substantial portion of its revenues and expenses in international markets, principally Europe and Japan, which subjects its operations to the exposure of exchange rate fluctuations. The impact of currency exchange rate movement can be positive or negative in any period. The Company, from time to time, has entered into foreign exchange rate contracts in order to minimize the volatility that fluctuations in currency exchange rates will have on the Company's cash flows related to purchases and sales denominated in foreign currencies.

At December 31, 2007 and 2006, the Company had option and forward currency exchange contracts, with notional amounts aggregating \$15.0 million and \$14.4 million, respectively. The contracts involved the purchase of EURO currency at fixed U.S. dollar amounts on specified dates and had maturities of less than twelve months. The notional amounts of the contracts are intended to hedge receivables in U.S. dollars. However, these transactions do not qualify for hedge accounting under SFAS No. 133. Accordingly, the instruments are marked-to-market with the corresponding gains and losses recorded in other income (expense), net in the consolidated statements of operations. The Company obtains third-party verification of fair value at the end of each reporting period. As of December 31, 2007 and 2006, the currency exchange contracts had a fair value of less than \$0.1 million and \$1.0 million, respectively, and are recorded in other current assets.

Note 12 Income Taxes

The domestic and foreign components of income (loss) before income taxes are as follows for the years ended December 31, (in thousands):

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Domestic	\$ (2,103)	\$ (5,712)	\$ (5,850)
Foreign	50,715	40,132	27,492
	<u>\$ 48,612</u>	<u>\$ 34,420</u>	<u>\$ 21,642</u>

The components of the income tax provision are as follows for the years ended December 31, (in thousands):

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current income tax expense:			
Federal	\$	\$ (656)	\$ 130
State	488	350	81
Foreign	18,325	14,825	12,959
	<u>18,813</u>	<u>14,519</u>	<u>13,170</u>
Deferred income tax (benefit) expense			
Federal		83	(316)
State		14	(93)
Foreign	(2,029)	1,315	(906)
	<u>(2,029)</u>	<u>1,412</u>	<u>(1,315)</u>
Income tax provision	<u>\$ 16,784</u>	<u>\$ 15,931</u>	<u>\$ 11,855</u>

A reconciliation of the United States federal statutory tax rate to the effective income tax rate is as follows for the years ended December 31:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Statutory tax rate	34.0%	34.0%	34.0%
Tax contingencies	2.3		0.5
State income taxes, net of federal benefit	0.7	0.6	(0.3)
Change in German tax rate	(7.6)		
Foreign tax rate differential	(0.1)	10.3	6.2
Foreign subsidiary dividends		1.8	3.6
Research and development credits		(4.5)	(3.9)
Other	(0.3)	0.8	0.3
	<u>29.0</u>	<u>43.0</u>	<u>40.4</u>
Change in valuation allowance for unbenefited losses	5.5	3.3	14.4
Effective tax rate	<u>34.5%</u>	<u>46.3%</u>	<u>54.8%</u>

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The tax effects of temporary items that give rise to significant portions of the deferred tax assets and liabilities are as follows as of December 31, (in thousands):

	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
Accounts receivable	\$	\$ 277
Inventory	6,328	5,802
Compensation	1,860	2,002
Investments	9,104	1,467
Warranty reserve	1,434	1,135
Purchase accounting intangibles	216	
R&D and other tax credit carryforwards	11,056	13,511
Net operating loss carryforwards	7,931	4,611
Capital loss carryforwards	3,652	5,300
Accrued expenses	1,448	117
Other	4,661	1,907
	<u>47,690</u>	<u>36,129</u>
Gross deferred tax assets	47,690	36,129
Less valuation allowance	(34,000)	(28,095)
	<u>13,690</u>	<u>8,034</u>
Total deferred tax assets	13,690	8,034
Deferred tax liabilities:		
Foreign statutory reserves	(9,852)	(12,304)
Excess tax over book depreciation	(2,787)	(3,234)
Purchase accounting intangibles		(450)
Accounts receivable	(570)	
Inventory	(2,303)	
Other	(1,125)	(1,763)
	<u>(16,637)</u>	<u>(17,751)</u>
Total deferred tax liabilities	(16,637)	(17,751)
Net deferred tax liability	\$ (2,947)	\$ (9,717)

The valuation allowance was determined in accordance with the provision of SFAS No. 109, which requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. Such assessment is required on a jurisdiction-by-jurisdiction basis. The Company fully reserved all U.S. net deferred tax assets, which are predominantly net operating losses and tax credit carryforwards. Cumulative losses incurred in the U.S. jurisdiction as of December 31, 2005, 2006 and 2007, represented sufficient negative evidence to record a valuation allowance under SFAS No. 109. The Company intends to maintain a full valuation allowance until sufficient positive evidence exists to support the reversal of the valuation allowance.

As of December 31, 2007, the Company has approximately \$18.9 million of U.S. net operating loss carryforward available to reduce future taxable income; which expire at various times through the year 2027. The Company claimed a capital loss on their 2006 U.S. tax return of approximately \$9.1 million which can be carried forward 5 years. The Company also has tax credits of approximately \$11.1 million available to offset future tax liabilities that expire at various dates. These credits include foreign tax credits of \$8.0 million expiring in year 2017 and research and development tax credits of \$3.1 million expiring in year 2025. These operating losses and tax credit carryforward may be subject to limitations under provisions of the Internal Revenue Code.

On August 14, 2007, the German Business Tax Reform 2008 was signed by the Federal President and the legislative process was finalized on August 17, 2007, with the official publication of the law. This new legislation changes the German Federal Corporate Tax Rate from 25% to 15%. In addition,

German Trade Tax is no longer deductible from the Corporate Income Tax. This law change, due to the benefit of revaluing our deferred tax assets and liabilities, reduced the Company's effective tax rate by 7.6%

The Company has permanently reinvested the earnings of its subsidiaries in the cumulative amount of approximately \$104.8 million as of December 31, 2007, and has not provided for U.S. income taxes that could result from the distribution of these earnings to the U.S. parent. If these earnings were ultimately distributed to the U.S. in the form of dividends or otherwise, or if the shares of the subsidiaries were sold or transferred, the Company would likely be subject to additional U.S. income taxes, net of the impact of any available foreign tax credits. It is not practical to estimate the amount of unrecognized deferred U.S. income taxes on these undistributed earnings.

The Company has unrecognized tax benefits of approximately \$7.3 million as of December 31, 2007, of which \$3.1 million, if recognized, would result in a reduction of the Company's effective tax rate. As of December 31, 2007, the Company does not expect any material changes to unrecognized tax positions within the next twelve months. A tabular reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

Gross unrecognized tax benefits at January 1, 2007	\$ 5,741
Gross increases tax positions in prior periods	
Gross decreases tax positions in prior periods	
Gross increases current period tax positions	1,519
Settlements	
Lapse of statute of limitations	-
	-
Gross unrecognized tax benefits at December 31, 2007	\$ 7,260

The Company recognizes penalties and interest related to unrecognized tax benefits in the provision for income taxes. As of December 31, 2007, we had approximately \$0.6 million of accrued interest related to uncertain tax positions included in the liability on the consolidated balance sheet, of which \$0.2 million was recorded during the twelve months ended December 31, 2007.

The Company considers its significant tax jurisdictions to include Germany and the United States. The tax years 2003 to 2007 are open tax years in these major taxing jurisdictions. The Company files returns in many foreign and state jurisdictions with varying statutes of limitations.

On October 22, 2004, the American Jobs Creation Act (AJCA) was signed into law and includes a deduction of 85% of certain foreign earnings that are repatriated, as defined in the AJCA. Bruker Optics repatriated approximately \$1.2 million in 2005 and recognized a related tax expense of \$0.1 million in 2005.

The Company acquired \$1.4 million of net operating losses with its acquisition of Roentec in 2005. A full valuation allowance was provided for in the purchase price allocation as the utilization of the net operating loss could not be assured. If this tax benefit is subsequently realized, it will be recorded as an adjustment to goodwill.

Note 13 Employee Benefit Plans

The Company maintains or sponsors various defined contribution plans and a defined benefit retirement plan that cover certain domestic and international employees. The Company may make contributions to these plans at its discretion. Retirement benefits earned are generally based on years of service and compensation during active employment. Eligibility is generally determined in accordance with local statutory requirements. However, the level of benefits and terms of vesting may vary among plans. The Company contributed approximately \$1.6 million, \$1.6 million and \$1.3 million to such plans in 2007, 2006 and 2005, respectively.

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Substantially all of the Bruker AXS GmbH employees, who were employed by the Company on September 30, 1997, participate in a defined benefit pension plan. The plan provides pension benefits based upon average salary and years of service. The Company has elected to recognize the impact on the projected benefit obligation when actual experience differs from actuarial assumptions on an immediate basis. The Company did not recognize any actuarial losses (gains) during the years ended December 31, 2007, 2006 and 2005, respectively.

The changes in benefit obligations and plan assets under the defined benefit pension plans, accumulated benefit obligations and funded status of the plan were as follows at December 31, (in thousands):

	2007	2006
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 11,116	\$ 8,689
Service cost	983	686
Interest cost	517	381
Benefits paid	(144)	(116)
Actuarial loss (gain)	(760)	370
Currency translation adjustment and other	1,221	1,106
	12,933	11,116
Change in plan assets		
Fair value of plan assets at beginning of year		
Employer contribution	144	116
Benefits paid	(144)	(116)
	Fair value of plan assets at end of year	Funded status
	\$ (12,933)	\$ (11,116)
	Accumulated benefit obligation	\$ (10,926)
	\$ (12,637)	\$ (10,926)

Weighted-average assumptions used to determine the projected benefit obligations for the years ended December 31, 2007, 2006 and 2005, are as follows:

	2007	2006	2005
Discount rate	5.50%	4.50%	4.25%
Expected return on assets	0.00%	0.00%	0.00%
Rate of compensation increase	4.00%	2.50%	2.50%

The net periodic pension benefit cost includes the following components for the years ended December 31, 2007, 2006 and 2005, (in thousands):

	2007	2006	2005
Components of net periodic benefit cost			
Service cost	\$ 983	\$ 686	\$ 632
Interest cost	517	381	381
Amortization	(17)	(15)	(15)
	Net periodic benefit cost	\$ 1,052	\$ 998
	\$ 1,483	\$ 1,052	\$ 998

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To date, the Company has not funded the plan and is not required to make contributions during 2008. The Company expects to pay the following in benefits under the plan (in thousands):

2008	\$	155
2009		276
2010		427
2011		653
2012		651
Thereafter		10,771
		<hr/>
Total	\$	12,933
		<hr/>

Note 14 Commitments and Contingencies

Operating Leases

Certain vehicles, office equipment and buildings are leased under agreements that are accounted for as operating leases. Total rental expense under operating leases was \$4.6 million, \$3.2 million and \$2.6 million during the years ended December 31, 2007, 2006 and 2005, respectively. Future minimum lease payments under non-cancelable operating leases at December 31, 2007, for each of the next five years and thereafter are as follows (in thousands):

2008	\$	4,902
2009		4,604
2010		3,670
2011		3,441
2012		3,465
Thereafter		1,284
		<hr/>
Total minimum lease payments	\$	21,366
		<hr/>

License Agreements

The Company has entered into license agreements allowing it to utilize certain patents. If these patents are used in connection with a commercial product sale, the Company pays royalties ranging from 0.15% to 5.00% on the related product revenues. Licensing fees for the years ended December 31, 2007, 2006 and 2005, were approximately \$1.2 million, \$1.6 million and \$1.0 million, respectively.

Grants

The Company's indirect subsidiary, Bruker Daltonik GmbH, is the recipient of grants from German government authorities. The grants were made in connection with the Company's development of specific spectrometers and components of spectrometers. Total grants awarded to date amount to \$10.6 million and the agreements under which these grants were awarded expire in 2008. Amounts received under these grants during 2007, 2006 and 2005, totaled \$0.6 million, \$0.7 million and \$2.0 million, respectively, and are classified in other revenue. Total expenditures related to these grants were approximately \$1.5 million, \$2.1 million and \$3.9 million in 2007, 2006 and 2005, respectively.

The Company's wholly-owned direct subsidiary, Bruker Daltonics Inc., is the recipient of a grant from an agency of the United States government. The grant was made in direct connection with the Company's development of a standalone monitor for chemical agents. Total grants awarded to date amount to \$1.0 million and the agreement under which this grant was awarded has been extended to 2010. Amounts received under this grant during 2007, 2006 and 2005, totaled \$0.1 million, \$0.4 million

and \$0.5 million, respectively, and are classified as other revenue. Total expenditures related to this grant approximate grant revenues received.

The Company's wholly-owned indirect subsidiary, Bruker Optik GmbH, is the recipient of certain grants from the German government. The grants were made in connection with the Company's development of specific advanced vibrational spectroscopy equipment. Total awards granted to date total \$1.7 million. Amounts received under these grants during 2007, 2006 and 2005, totaled \$0.2 million, \$0.1 million and \$0.3 million, respectively, and are classified in other revenue. Total expenditures related to these grants approximated the grant revenues received.

Legal

Lawsuits, claims and proceedings of a nature considered normal to its businesses may be pending from time to time against the Company. The Company believes the outcome of these proceedings, if any, will not have a material impact on the Company's financial position or results of operations. As of December 31, 2007 and 2006, no accruals have been recorded for such potential contingencies.

Letters of Credit and Guarantees

At December 31, 2007 and 2006, the Company had bank guarantees of \$13.2 million and \$9.1 million, respectively, for its customer advances. These guarantees affect the availability of its lines of credit.

Indemnifications

The Company enters into standard indemnification arrangements in the Company's ordinary course of business. Pursuant to these arrangements, the Company indemnifies, holds harmless, and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, generally our business partners or customers, in connection with any patent, or any copyright or other intellectual property infringement claim by any third party with respect to our products. The term of these indemnification agreements is generally perpetual anytime after the execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these agreements is unlimited. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the estimated fair value of these agreements is minimal.

The Company has entered into indemnification agreements with its directors and officers that may require the Company to: indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of a culpable nature; advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified; and obtain directors' and officers' insurance if available on reasonable terms, which the Company currently has in place.

Note 15 Shareholders' Equity

Public Offerings of Common Stock

On February 12, 2007, the Company and a group of selling stockholders completed a public offering of 11,960,000 shares of its common stock, of which 2,530,000 were sold by the Company and 9,430,000 were sold by four selling stockholders, at \$7.10 per share, generating net proceeds of approximately \$16.9 million to the Company and approximately \$63.2 million to the selling stockholders, in the aggregate.

Issuance of Restricted Stock

In November 2007, the Company issued 8,753 shares of restricted stock in connection with the acquisition of certain assets of Micron. The restrictions are time based and will expire after 90 days.

In June 2007, the Company issued 29,740 shares of restricted stock in connection with the acquisition of Analys-Konsult. The restrictions are time based and will expire ratably as the shares vest over a period of three years.

In September 2006, the Company issued 202,223 shares of restricted stock in connection with the acquisition of Quantron. The restrictions are time based and will expire ratably as the shares vest over a period of three years.

In January 2006, the Company issued 267,302 shares of restricted stock in connection with the acquisition of Socabim SAS. The restrictions are time based and will expire ratably as the shares vest over a period of three years.

In November 2005, the Company issued 209,271 shares of restricted stock in connection with the acquisition of Roentec AG. The restrictions are time based and will expire ratably as the shares vest over a period of three years.

Restricted shares of the Company's common stock are periodically awarded to executive officers, directors and certain key employees of the Company under the Company's Amended and Restated 2000 Stock Option Plan. See the section "Stock Plans" for information about restricted stock awarded during the year ended December 31, 2007.

Blank Check Preferred Stock

As of December 31, 2007, 5,000,000 shares of Blank Check Preferred Stock with a stated par value of \$0.01 per share have been authorized, none of which have been issued.

Dividends

The terms of some of the Company's indebtedness restrict its ability to pay dividends to its shareholders.

Stock Plans

In 2000, the Board of Directors adopted and the stockholders approved the 2000 Stock Option Plan. The 2000 Stock Option Plan provides for the issuance of up to 2,200,000 shares of common stock in connection with awards under the Plan. The 2000 Stock Option Plan allows a committee of the Board of Directors (the "Committee") to grant incentive stock options, non-qualified stock options, stock appreciation rights and stock awards (including the use of restricted stock and phantom shares). The Committee has the authority to determine which employees will receive the rewards, the amount of the awards and other terms and conditions of the award. Awards granted by the Committee typically vest over a period of three-to-five years.

On July 1, 2003, the Company's stockholders approved an amendment and restatement of the 2000 Stock Option Plan to change the plan name and increase the number of shares available for issuance. The name of the amended plan is Bruker BioSciences Corporation Amended and Restated 2000 Stock Option Plan. The amendment authorized 4,132,000 additional shares of common stock of the Company issuable pursuant to the plan. On June 29, 2006, the Company's stockholders approved an increase in the number of shares available for issuance under the plan from 6,320,000 shares to 8,000,000 shares, an increase of 1,680,000 shares.

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Restricted shares of the Company's common stock are periodically awarded to executive officers, directors and certain key employees of the Company subject to a service restriction which expires ratably over a period of three-to-five years. The restricted shares of common stock may not be sold or transferred during the restriction period. Stock compensation for restricted stock is recorded based on the stock price on the grant date and charged to expense ratably through the restriction period. The following table summarizes information about restricted stock activity during the years ended December 31, 2007 and 2006:

	Shares Subject to Restriction	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2005		\$
Granted	632,900	5.28
Vested		
Forfeited	(4,700)	5.00
Outstanding at December 31, 2006	628,200	\$ 5.29
Granted	81,352	8.68
Vested	(130,480)	5.34
Forfeited	(9,670)	6.60
Outstanding at December 31, 2007	569,402	\$ 5.74

Unrecognized pre-tax expense of \$2.4 million related to restricted stock awards is expected to be recognized over the weighted average remaining service period of 3.4 years for awards outstanding at December 31, 2007.

Stock option activity for the years ended December 31, 2007, 2006 and 2005, was as follows:

	Shares Subject to Options	Weighted Average Option Price	Weighted Average Remaining Contractual Term (Yrs)	Aggregate Intrinsic Value (\$'s in 000's)
Outstanding, December 31, 2004	3,779,245	\$ 6.39		
Granted	18,250	3.83		
Exercised	(124,121)	3.04		
Forfeited	(96,506)	6.95		
Outstanding, December 31, 2005	3,576,868	6.43		
Granted	696,250	5.23		
Exercised	(290,224)	4.57		
Forfeited	(311,469)	7.55		
Outstanding, December 31, 2006	3,671,425	6.25		
Granted	1,308,679	8.06		
Exercised	(501,051)	5.10		
Forfeited	(55,341)	10.04		
Outstanding, December 31, 2007	4,423,712	\$ 6.87	4.6	\$ 29,216
Exercisable at December 31, 2007	2,511,174	\$ 6.78	4.0	\$ 17,135

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The following table summarizes information about stock options outstanding and exercisable at December 31, 2007:

Range of Exercise Prices	Options Outstanding			Options Exercisable			
	Number Outstanding	Weighted Average Remaining Contractual Term (Yrs)	Weighted Average Exercise Price	Aggregate Intrinsic Value (\$'s in 000's)	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value (\$'s in 000's)
\$2.12 to \$4.00	684,485	3.8	\$ 3.20	\$ 6,912	572,717	\$ 3.18	\$ 5,797
\$4.01 to \$6.00	1,575,854	4.5	5.17	12,805	1,036,497	5.14	8,457
\$6.01 to \$10.00	1,580,769	7.1	7.69	8,882	366,814	6.82	2,377
\$10.01 to \$13.00	262,604	4.3	10.95	617	215,146	10.96	504
\$13.01 and above	320,000	3.3	15.64		320,000	15.64	
	4,423,712	4.6	\$ 6.87	\$ 29,216	2,511,174	\$ 6.78	\$ 17,135

The intrinsic values above are based on the Company's closing stock price of \$13.30 on December 31, 2007. The weighted-average grant-date fair value of options granted during the year ended December 31, 2007, was \$5.94. Unrecognized pre-tax expense of \$8.5 million related to stock options is expected to be recognized over the weighted average remaining service period of 2.7 years for awards outstanding at December 31, 2007.

The Company did not record any compensation expense during the years ended December 31, 2007 and 2006, for stock options granted to non-employees. During the year ended December 31, 2005, the Company recorded compensation expense of \$27,500 for stock options granted to non-employees. Compensation expense is amortized on a straight-line basis over the underlying vesting terms. The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model.

Accelerated Vesting of Unvested Stock Options

On October 3, 2005, the Compensation Committee of the Board of Directors of the Company approved the acceleration of vesting of all unvested options to purchase shares of common stock of the Company that were held by current employees, officers and directors of the Company, which had an exercise price per share equal to or greater than \$4.64 (the closing market price of the Company's common stock on October 3, 2005). The primary purpose of the accelerated vesting is to enable us to avoid recognizing, in our income statement, non-cash compensation expense associated with these options upon the adoption of SFAS No. 123(R) as of January 1, 2006. Options to purchase 857,923 shares of common stock were subject to this acceleration. Because these options had exercise prices in excess of current market values, or are "underwater," they were not fully achieving their original objectives of incentive compensation and employee retention. The Company believes that the acceleration of these underwater options may have a positive effect on employee morale and retention. Under the accounting for stock options in accordance with Accounting Principles Board Opinion No. 25 *Accounting for Stock Issued to Employees*, and FASB Interpretation No. 44 *Accounting for Certain Transactions Involving Stock Compensation*, the acceleration of the vesting of these options did not result in a compensation charge because the exercise prices of the affected options, which have not been modified, was greater than the closing price of the Company's common stock on the date the event occurred. The Company has estimated the pre-tax charge to be eliminated from future accounting periods was approximately \$3.7 million.

Note 16 Business Segment Information

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information about operating segments in annual financial statements of public business enterprises. It also establishes standards for related disclosures about products and service, geographic areas and major customers. The Company evaluated its business activities that are regularly reviewed by the Chief Executive Officer and for which discrete financial information is available. As a result of this evaluation, the Company determined that each of its subsidiaries, Bruker Daltonics, Bruker AXS, and Bruker Optics, is a reportable operating segment.

Bruker AXS is in the business of manufacturing and distributing advanced X-ray and OES-spark instrumentation used in non-destructive molecular and elemental analysis in academic, research and industrial applications. Bruker Daltonics is in the business of manufacturing and distributing mass spectrometry instruments that can be integrated and used along with other analytical instruments. Bruker Optics is a leading developer and provider of research, analytical and process analysis instruments and solutions based on infrared and Raman molecular spectroscopy technologies. Bruker Corporation, the parent company of Bruker Daltonics, Bruker AXS and Bruker Optics, is the corporate entity that holds excess cash and short-term investments and incurs certain public company costs.

Selected business segment information for the years ended December 31, 2007, 2006 and 2005, is presented below (in thousands):

	Revenue			Operating Income (Loss)		
	2007	2006	2005	2007	2006	2005
Bruker AXS	\$ 243,987	\$ 179,502	\$ 137,357	\$ 26,015	\$ 10,256	\$ 1,059
Bruker Daltonics	188,604	159,744	161,355	14,042	10,000	12,430
Bruker Optics	122,493	105,530	78,701	18,276	17,944	12,035
Corporate				(7,885)	(7,612)	(2,851)
Eliminations	(7,508)	(8,942)	(5,160)	(481)	74	(251)
Total	\$ 547,576	\$ 435,834	\$ 372,253	\$ 49,967	\$ 30,662	\$ 22,422

Total assets, capital expenditures and depreciation and amortization by segment for the years ended December 31, 2007, 2006 and 2005, are as follows (in thousands):

	Assets			Capital Expenditures			Depreciation and Amortization		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Bruker AXS	\$ 220,730	\$ 170,610	\$ 129,113	\$ 4,606	\$ 3,990	\$ 1,590	\$ 4,532	\$ 6,194	\$ 3,583
Bruker Daltonics	244,706	274,423	189,790	2,169	2,355	1,622	5,047	4,926	5,025
Bruker Optics	119,466	86,726	64,592	9,304	1,278	1,579	3,049	2,169	1,898
Corporate	314,988	316,985	235,529						
Eliminations	(346,677)	(415,557)	(195,382)						
Total	\$ 553,213	\$ 433,187	\$ 423,642	\$ 16,079	\$ 7,623	\$ 4,791	\$ 12,628	\$ 13,289	\$ 10,506

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Revenue and long-lived assets by geographical area as of and for the years ended December 31, 2007, 2006 and 2005, is as follows (in thousands):

	Revenue		
	2007	2006	2005
North America	\$ 130,407	\$ 107,454	\$ 92,548
Germany	208,799	162,994	153,012
Japan	42,226	44,311	45,546
Other	166,144	121,075	81,147
	\$ 547,576	\$ 435,834	\$ 372,253

	Long-Lived Assets	
	2007	2006
North America	\$ 19,912	\$ 19,280
Germany	77,709	65,986
Japan	1,224	1,227
Other	4,255	3,856
	\$ 103,100	\$ 90,349

Other locations include primarily France, United Kingdom, The Netherlands, Sweden, Italy, Poland, Switzerland and Hong Kong.

Note 17 Interest and Other Income (Expense), Net

The components of interest and other income (expense), net for the years ended December 31, 2007, 2006 and 2005, were as follows (in thousands):

	2007	2006	2005
Interest income	\$ 1,337	\$ 2,183	\$ 2,566
Interest expense	(1,834)	(2,159)	(2,059)
Exchange gains (losses) on foreign currency transactions	(2,096)	(1,613)	1,308
Appreciation (depreciation) of the fair value of derivative financial instruments	725	4,714	(2,675)
Loss on disposal of equipment	(117)	202	
Rental income	211	247	150
Commission income	125		
Insurance income	56	21	44
Other expense	238	163	(114)
	\$ (1,355)	\$ 3,758	\$ (780)

Note 18 Related Parties

Prior to the acquisition of the Bruker BioSpin Group on February 26, 2008, we were affiliated, through common shareholders, with several other entities which use the Bruker name. A sharing agreement with certain of these affiliates provides for the sharing of specified intellectual property rights, services, facilities and other related items.

As of December 31, 2007 and 2006, the Company had payables to related parties of \$8.3 million and \$5.9 million, respectively. As of December 31, 2007 and 2006, we had receivables from related

parties of \$7.2 million and \$9.0 million, respectively. Payment terms on balances with related parties are similar as those with third party customers.

Sales to related parties which are not subsidiaries of the Company are included as revenues in the consolidated financial statements. These related parties maintain sales offices in countries in which we do not have our own distribution network. As such, these sales were primarily for resale of our products only. These sales amounted to \$14.5 million, \$11.3 million and \$13.0 million for the years ended December 31, 2007, 2006 and 2005, respectively. In addition, the Company purchased products and services which amounted to \$24.0 million, \$21.1 million and \$17.0 million from affiliated entities in the years ended December 31, 2007, 2006 and 2005, respectively.

The Company shares various general and administrative expenses for items including umbrella insurance policies, accounting services and leases with various related parties. These general and administrative expenses amounted to \$5.1 million, \$3.7 million and \$2.8 million for the years ended December 31, 2007, 2006 and 2005, respectively.

During the years ended December 31, 2007, 2006 and 2005, the Company paid \$1.3 million, \$1.3 million and \$0.5 million, respectively, to a law firm in which one of our directors is a partner.

During the years ended December 31, 2007, 2006 and 2005, the Company paid \$0.1 million in each year to a financial services firm in which one of our directors is a partner.

Bruker Optics rents various office space from a principal stockholder under lease agreements. During each of the years ended December 31, 2007, 2006 and 2005, this stockholder was paid approximately \$0.4 million, \$0.3 million and \$0.3 million, respectively, which was estimated to be equal to the fair market value less the cost of capital improvements provided by Bruker Optics in 2004. Bruker Optics subleased a portion of this office space to an affiliate during 2007, 2006 and 2005, and received rental income, which includes charges for utilities and other occupancy costs, of \$31,500 for each period. This rental income is recorded as a reduction of rent, utilities and building maintenance expenses.

Note 19 Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS No. 141(R)"). This statement will significantly change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all of the assets acquired and liabilities assumed in a transaction at the acquisition date fair value with certain limited exceptions. In addition, SFAS No. 141(R) will change the accounting treatment for acquisition costs, in-process research and development, restructuring costs associated with business combinations and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date. SFAS No. 141(R) also includes a significant number of new disclosure requirements. Early adoption of SFAS No. 141(R) is prohibited and the Company will be required to apply SFAS No. 141(R) to acquisitions that occur on or after January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - An Amendment of ARB No. 51* ("SFAS No. 160"). This statement establishes new accounting and reporting standards for the minority interest in a subsidiary and the deconsolidation of a subsidiary. SFAS No. 160 is effective as of the beginning of fiscal 2009 and early adoption is prohibited. The Company has not yet assessed the effect, if any, that adoption of SFAS No. 160 will have on its results of operations and financial position.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities, Including an amendment of FASB Statement No. 115* ("SFAS No. 159"). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective as of the

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beginning of fiscal 2008. The Company does not expect that adoption of SFAS No. 159 will have a material impact on our results of operations or financial position.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"). This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements that Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* ("FSP 157-1") and FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2"). FSP 157-2 defers the effective date in SFAS No. 157 until fiscal years beginning after November 15, 2008, for certain nonfinancial assets and liabilities. SFAS No. 157 provides a common fair value hierarchy for companies to follow in determining fair value measurements in the preparation of financial statements and expands disclosure requirements relating to how such fair value measurements were developed. SFAS No. 157 clarifies the principle that fair value should be based on the assumptions that the marketplace would use when pricing an asset or liability, rather than company specific data. The Company is currently assessing the impact that SFAS No. 157 will have on its results of operations and financial position.

Note 20 Quarterly Financial Data (Unaudited)

The Company's common stock is trading under the symbol BRKR. A summary of operating results for the quarterly periods in the two years ended December 31, 2007 and 2006, is set forth below (in thousands, except per share data):

	Quarter Ended			
	March 31	June 30	September 30	December 31
Year ended December 31, 2007				
Net revenue	\$ 110,507	\$ 121,683	\$ 131,643	\$ 183,743
Gross profit	52,628	53,031	61,833	85,646
Operating income	7,759	7,029	11,457	23,722
Net income	3,881	4,965	8,664	14,019
Net income per share basic and diluted	\$ 0.04	\$ 0.05	\$ 0.08	\$ 0.13
Year ended December 31, 2006				
Net revenue	\$ 94,856	\$ 100,483	\$ 104,870	\$ 135,625
Gross profit	43,756	46,223	46,183	63,172
Operating income	4,866	2,874	6,984	15,938
Net income	3,259	2,538	2,976	9,708
Net income per share basic	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.10
Net income per share diluted	\$ 0.03	\$ 0.02	\$ 0.03	\$ 0.09

Note 21 Subsequent Events

On February 26, 2008, the Company completed the acquisition of all of the outstanding capital stock of the Bruker BioSpin Group in accordance with the terms of various stock purchase agreements dated as of December 2, 2007. At the completion of this acquisition, the Company paid an aggregate of \$914.0 million of consideration to the shareholders of the Bruker BioSpin Group, which was financed with 57,544,872 shares of unregistered common stock valued at \$526.0 million, \$351.0 million of cash obtained under a new credit facility and the balance with cash on hand. The value of the shares of common stock issued in connection with the merger was determined using a trailing average of the closing market prices of the Company's stock for a period of ten consecutive trading days ending two days prior to the signing of the various stock purchase agreements. Under the stock purchase agreements, \$98.8 million of the purchase price was paid into escrow accounts pending the resolution

of indemnification obligations and working capital obligations of the sellers. The unused portion of the \$92.0 million indemnity escrow will be released to the sellers at the later of (1) the 30th day following the receipt by the Company of combined audited financial statements of the Bruker BioSpin Group for the fiscal year ended December 31, 2008, or (2) the resolution of any claim for indemnification of which the sellers have received notice prior to the conclusion of the 30 day period described in (1) above. The unused portion of the \$6.8 million working capital escrow will be released to the sellers within 25 business days following the receipt by the Company of combined audited financial statements of the Bruker BioSpin Group for the fiscal year ended December 31, 2007.

In connection with the acquisition of the Bruker BioSpin Group, the Company entered into a five year Credit Agreement with a syndication of lenders that provided for a revolving credit line with a maximum commitment of \$230.0 million and a term facility of \$150.0 million. The outstanding principal under the term loan is payable in quarterly installments through December 2012. Borrowings under the Credit Agreement bear interest, at the Company's option, at either (i) the higher of the prime rate or the federal funds rate plus 0.50%, or (ii) adjusted LIBOR, plus margins ranging from 0.40% to 1.25% and a facility fee ranging from 0.10% to 0.20%.

Borrowings under the Credit Agreement are secured by the pledge to the banks of 100% of the capital stock of each of the Company's wholly-owned domestic subsidiaries and 65% of the capital stock of certain of the Company's direct or indirect wholly-owned foreign subsidiaries. The Credit Agreement also requires the Company to maintain certain financial ratios related to maximum leverage and minimum interest coverage ratios as defined in the Credit Agreement. In addition to the financial ratios, the Credit Agreement restricts, among other things, the Company's ability to do the following: make certain payments; incur additional debt; incur certain liens; make certain investments, including derivative agreements; merge, consolidate, sell or transfer all or substantially all of the Company's assets; and enter into certain transactions with affiliates.

The acquisition of the Bruker BioSpin Group represented a combination of companies under common control due to the majority ownership of both companies by six related individuals as an affiliated shareholder group. As a result, the acquisition of the Bruker BioSpin Group will be accounted for at historical carrying values. After the closing of the transaction all historical consolidated balance sheets, statements of operations, statements of cash flows and notes to the consolidated financial statements in future filings with the Securities and Exchange Commission, beginning with the Company's Quarterly Report on Form 10-Q for the quarter ending March 31, 2008, will be restated by combining the historical consolidated financial statements of Bruker Corporation with those of the Bruker BioSpin Group.

The following unaudited pro forma condensed combined balance sheet and statements of operations were prepared by combining the historical consolidated financial statements of Bruker Corporation with those of the Bruker BioSpin Group. These financial statements include pro forma adjustments reflecting the consideration paid to the shareholders of the Bruker BioSpin Group on February 26, 2008, but do not include certain other pro forma adjustments, including interest expense that will be incurred under the Credit Agreement. These unaudited pro forma condensed financial statements should be read in conjunction with the historical consolidated financial statements and related notes of Bruker Corporation.

BRUKER CORPORATION
INCLUDING THE HISTORICAL RESULTS OF THE BRUKER BIOSPIN GROUP
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2007
<i>(unaudited)</i>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 295,368
Short-term investments	12,136
Accounts receivable, net	185,217
Inventories	447,688
Other current assets	57,288
	997,697
Property, plant and equipment	207,588
Intangibles and other assets	69,346
	1,274,631
Total assets	\$ 1,274,631
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Short-term borrowings	\$ 241,471
Accounts payable	52,293
Customer advances	233,466
Other current liabilities	240,586
	767,816
Total current liabilities	767,816
Long-term debt	150,769
Other long-term liabilities	108,194
Shareholders' equity:	
Common stock	1,624
Additional paid-in capital	308,893
Retained earnings	(211,146)
Accumulated other comprehensive income	148,481
	247,852
Total shareholders' equity	247,852
Total liabilities and shareholders' equity	\$ 1,274,631

BRUKER CORPORATION
INCLUDING THE HISTORICAL RESULTS OF THE BRUKER BIOSPIN GROUP
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,		
	2007	2006	2005
	<i>(unaudited)</i>		
Product revenue	\$ 913,238	\$ 758,352	\$ 702,322
Service revenue	115,419	87,873	76,841
Other revenue	3,791	4,602	8,683
Total revenue	1,032,448	851,007	787,846
Cost of product revenue	489,246	399,182	380,030
Cost of service revenue	73,591	53,207	49,811
Total cost of revenue	562,837	452,389	429,841
Gross profit	469,611	398,618	358,005
<i>Operating expenses:</i>			
Sales and marketing	156,783	131,393	115,634
General and administrative	59,600	51,863	49,396
Research and development	110,751	102,611	102,678
Acquisition related charges	7,412	5,724	
Special credit			(25,754)
Total operating expenses	334,546	291,581	241,954
Operating income	135,065	107,037	116,051
Interest and other income (expense), net	5,750	4,716	7,223
Income before provision for income taxes and minority interest in consolidated subsidiaries	140,815	111,753	123,274
Provision for income taxes	43,278	36,927	36,927
Income before minority interest in consolidated subsidiaries	97,537	74,826	74,826
Minority interest in consolidated subsidiaries	299	8	40
Net income	\$ 97,238	\$ 74,818	\$ 84,850
Net income per share:			
Basic	\$ 0.60	\$ 0.47	\$ 0.54
Diluted	\$ 0.59	\$ 0.47	\$ 0.53
Weighted average common shares outstanding:			
Basic	161,247	159,057	158,368
Diluted	164,314	160,106	158,675

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have established disclosure controls and procedures that are designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) by others within our organization. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2007. Based on this evaluation our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2007, to ensure that the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2007.

Our audited consolidated financial statements include the results of Analys-Konsult AB. Upon consideration of the date of the acquisition and the time constraints under which our management's assessment would have to be made, management determined that it would not be possible to conduct a sufficiently comprehensive assessment of the acquired business' controls over financial reporting. Accordingly, these operations have been excluded from the scope of management's assessment of internal controls. Our consolidated sales for the year ended December 31, 2007, were \$547.6 million, of which Analys-Konsult AB represented \$5.3 million. Our total assets as of December 31, 2007, were \$553.2 million, of which Analys-Konsult AB represented \$5.5 million, including \$0.5 million of intangible assets and goodwill resulting from the acquisitions.

The attestation report issued by Ernst & Young LLP, our independent registered public accounting firm, on our internal control over financial reporting is included herein.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2007, that materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Bruker Corporation

We have audited Bruker Corporation's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Bruker Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Analys-Konsult AB, which is included in the 2007 consolidated financial statements of Bruker Corporation and constituted \$5,500,000 and \$1,000,000 of total and net assets, respectively, as of December 31, 2007 and \$5,300,000 and \$160,000 of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Bruker Corporation also did not include an evaluation of the internal control over financial reporting of Analys-Konsult AB.

In our opinion, Bruker Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

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We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Bruker Corporation as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2007 of Bruker Corporation and our report dated March 14, 2008, expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Boston, Massachusetts

March 14, 2008

ITEM 9B. OTHER INFORMATION

None.

PART III

In accordance with General Instruction G(3) to Form 10-K, except as set forth below, the information called for by Items 10, 11, 12, 13 and 14 is incorporated by reference from the registrant's definitive proxy statement for the Annual Meeting of Stockholders to be held on May 8, 2008.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

A copy of the Company's code of ethics, which applies to its principal executive officer, principal financial officer, principal accounting officer, controller and board of directors may be obtained free of charge by requesting them from us in writing or by telephone at Bruker Corporation, 40 Manning Road, Billerica, Massachusetts, 01821, Attn: Investor Relations. (978) 663-3660, ext. 1411.

The additional information required by this Item 10 pursuant to Items 401, 405 and 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is contained in the proxy statement for our annual meeting of stockholders to be held on May 8, 2008, and is incorporated in this annual report on Form 10-K by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required to be disclosed by this Item 11 pursuant to Items 402 and 407(e)(4) and (e)(5) of Regulation S-K is contained in the proxy statement for our annual meeting of stockholders to be held on May 8, 2008, under the captions "Summary of Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report," respectively, and is incorporated in this annual report on Form 10-K by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**Equity Compensation Plans**

The following table summarizes information about our equity compensation plans as of December 31, 2007.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	4,993,114	\$ 6.74	3,006,886
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	4,993,114	\$ 6.74	3,006,886

The additional information required by this Item 12 pursuant to Items 403 of Regulation S-K is contained in the proxy statement for our annual meeting of stockholders to be held on May 8, 2008, under the caption "Security Ownership of Certain Beneficial Owners and Management" and is incorporated in this annual report on Form 10-K by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required to be disclosed by this Item 13 pursuant to Items 404 and 407(a) of Regulation S-K is contained in the proxy statement for our annual meeting of stockholders to be held on May 8, 2008, under the captions "Certain Relationships and Related Transactions" and "Board Composition, Meetings and Committees" and is incorporated in this annual report on Form 10-K by reference.'

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required to be disclosed by this Item 14 pursuant to Item 9(e) of Schedule 14A is contained in the proxy statement for our annual meeting of stockholders to be held on May 8, 2008, under the caption "Report of the Audit Committee" and is incorporated in this annual report on Form 10-K by reference.

PART IV**ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES***(a)****Financial Statements and Schedules*****(1)****Financial Statements**

The following consolidated financial statements of Bruker Corporation are filed as part of this report under Item 8. Financial Statements and Supplementary Data

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2007 and 2006

Consolidated Statements of Operations for the years ended December 31, 2007, 2006 and 2005

Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss) for the years ended December 31, 2007, 2006 and 2005

Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005

Notes to Consolidated Financial Statements

(2)**Financial Statement Schedules**

Schedule II Valuation and Qualifying Accounts

(3)**Exhibits**

See (b) below.

*(b)****List of Exhibits***

Exhibit No.	Description	Filed Herewith	Incorporated by Reference **	
			Form	Date
2.1	Share Transfer Deed dated as of August 13, 2005		8-K	August 16, 2005
2.2*	Purchase and Transfer Agreement for Shares in Röntec AG dated October 10, 2005 between Bruker AXS GmbH and the Sellers as defined therein		10-Q	September 30, 2005
2.3*	Asset Purchase Agreement dated October 21, 2005 between Bruker AXS Inc., Princeton Gamma-Tech Instruments, Inc., Princeton Gamma-Tech (UK), Ltd., Finn-Partners, Inc. and Third Letter Corporation		10-Q	September 30, 2005
2.4	Stock Purchase Agreement, dated April 17, 2006, by and among Bruker BioSciences Corporation, Bruker Optics Inc. and the stockholders of Bruker Optics Inc.		8-K	April 18, 2006
2.5*	Stock Purchase Agreement, dated as of July 18, 2006,		10-Q	June 30, 2006

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Incorporated by Reference **

by and among Bruker AXS Inc., KeyMaster Technologies, Inc., and the stockholders of KeyMaster Technologies, Inc.

2.6* Share Purchase & Transfer Agreement, dated as of September 8, 2006, between Bruker AXS, Quantron GmbH and the stockholders of Quantron

10-Q September 30, 2006

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2.7	U.S. Stock Purchase Agreement, dated December 2, 2007, by and among the Registrant, Bruker BioSpin Inc. and the stockholders of Bruker BioSpin Inc.	8-K	December 3, 2007
2.8	German Share Purchase Agreement, dated December 2, 2007, by and among the Registrant, Bruker Physik GmbH, Techneon AG and the shareholders of Bruker Physik GmbH	8-K	December 3, 2007
2.9	Agreement and Plan of Merger dated as of December 2, 2007 by and among the Registrant, Bruker BioSpin Invest AG, Bruker BioSpin Beteiligungs AG and the shareholders of Bruker BioSpin Invest AG	8-K	December 3, 2007
3.1	Amended Certificate of Incorporation of the Registrant	X	
3.2	Bylaws of the Registrant	S-1	August 3, 2000
4.1	Specimen stock certificate representing shares of common stock of the Registrant	S-3	April 22, 2004
10.1	Amended and Restated 2000 Stock Option Plan	S-4	May 19, 2003
10.2	Sharing Agreement dated as of February 28, 2000 among the Registrant and 13 affiliates of the Registrant	S-1	August 3, 2000
10.3*	License Agreement dated August 10, 1998 between the Registrant and Indiana University's Advanced Research & Technology Institute	S-1	August 3, 2000
10.4*	ITMS Collaboration Agreement by and between Hewlett-Packard, the Registrant and Bruker Daltonik GmbH, dated April 28, 1999	S-1	August 3, 2000
10.5*	Collaboration Agreement dated December 4, 1997 between Bruker-Franzen Analytik GmbH and Sequenom Instruments GmbH	S-1	August 3, 2000
10.6*	Agreement by and between the Bruker Daltonik GmbH, Bruker Saxonia Analytik GmbH and Bruker Optik GmbH dated March 31, 2000	S-1	August 3, 2000
10.10*	Supply Agreement dated March 30, 1998 between the Registrant and Fairchild Imaging Inc., formerly known as Lockheed Martin Fairchild Systems	S-1	December 13, 2001
10.11*	Contract dated October 1, 1998 between Bruker AXS GmbH and GKSS Forschungszentrum Geesthacht GmbH, as amended	S-1	December 13, 2001

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10.12*	Contract dated July 31, 1997 between Bruker AXS GmbH and Siemens Aktiengesellschaft Berlin und Munchen Bereich Medizinische Technik	S-1	December 13, 2001
10.13*	Development Agreement (Agreement 99.06) dated May 5, 1999 between Bruker AXS GmbH and Baltic Scientific Instruments	S-1	December 13, 2001
10.14*	Development Agreement (Agreement 99.10) dated October 7, 1999 between Bruker AXS GmbH and Baltic Scientific Instruments	S-1	December 13, 2001
10.19*	Agreement on Development, Supply and Marketing dated August 2, 2001 between Bruker AXS GmbH and Siemens Medical Solutions Rontgenwerk Rudolstadt	S-1	December 13, 2001
10.21	Lease for Office Space in Delft, The Netherlands dated October 12, 2001 between Bruker Nonius B.V. and Van Haaren Beheer B.V.	S-1	December 13, 2001
10.22*	Memorandum of Agreement for Strategic Collaboration dated October 16, 2001 between the Registrant and Fairchild Imaging, Inc.	S-1	December 13, 2001
10.25	Employment Offer Letter dated as of September 25, 2004 from Bruker BioSciences Corporation to William J. Knight	8-K	October 12, 2004
10.26	Company's form of Incentive Stock Option Agreement	8-K	October 12, 2004
10.27*	Amendment to ITMS Collaboration Agreement and OEM Agreement between Agilent Technologies, Inc. and the Registrant, effective February 25, 2005	10-Q	March 31, 2005
10.28	Company's form of Restricted Stock Agreement	10-K/A	December 31, 2005
10.29	Compensation and Indemnification Agreement, dated April 18, 2006, by and among the Company, William A. Linton, M. Christopher Canavan, Jr., Taylor J. Crouch and Daniel S. Dross	8-K	April 18, 2006
10.30	Demand Promissory Note, dated as of July 5, 2006 in the amount of \$40,000,000, payable to Citizens Bank of Massachusetts	8-K	July 7, 2006
10.31*	Exclusive Distribution Agreement dated January 1, 2002 between Bruker BioSpin GmbH and Bruker Optics Inc., as amended April 17, 2006	10-K	December 31, 2006
10.32	Compensation and Indemnification Agreement, dated December 2, 2007, by and among the Company, William Linton, Collin D'Silva and Richard Kniss	8-K	December 3, 2007

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10.33	Credit Agreement dated as of February 26, 2008 among the Registrant, Bruker AXS GmbH, Bruker Daltonik GmbH, Bruker Optik GmbH, Bruker Physik GmbH, Bruker BioSpin Invest AG, Bruker BioSpin AG and Bruker BioSpin International AG, the other foreign subsidiary borrowers from time to time party thereto, the lenders from time to time party thereto, Citibank, N.A. as Syndication Agent, and RBS Citizens, National Association, Deutsche Bank AG and Dresdner Bank AG as Co-Documentation Agents, and JPMorgan Chase Bank, N.A., as Administrative Agent	8-K	February 27, 2008
21.1	Subsidiaries of the Registrant	X	
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm	X	
24.1	Power of attorney (included on signature page hereto)	X	
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X	
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X	
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X	
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X	

*

Confidential treatment requested as to certain portions, which portions have been omitted and filed separately with the Commission.

**

In accordance with Rule 12b-32 under the Securities Exchange Act of 1934, as amended, reference is made to the documents previously filed with the Securities and Exchange Commission, which documents are hereby incorporated by reference. The dates listed for Forms 8-K are dates the respective forms were filed on, the dates listed for Forms 10-Q, Forms 10-K and Form 10-K/A are for the quarterly or annual period ended dates and the dates listed for Forms S-1, Forms S-3 and Forms S-4 are dates on which the Security and Exchange Commission declared them effective.

(c)

Financial Statement Schedules

Schedule II Valuation and Qualifying Accounts (in thousands):

	Balance at Beginning of Period	Additions Charged to Earnings	Deductions Amounts Written Off	Balance at End of Period
Allowance Deducted in Balance Sheet from the assets to which they apply:				
For the year ended December 31, 2007				
Allowance for doubtful accounts	\$ 2,410	\$ 299	\$ (819)	\$ 1,890
For the year ended December 31, 2006				
Allowance for doubtful accounts	\$ 3,810	\$ (368)	\$ (1,032)	\$ 2,410
For the year ended December 31, 2005				
Allowance for doubtful accounts	\$ 2,988	\$ 155	\$ 667	\$ 3,810

All other schedules have been omitted since they are either not applicable, not required or the information is included elsewhere herein.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRUKER CORPORATION

Date: March 17, 2008

By: /s/ FRANK H. LAUKIEN, PH.D.

Name: Frank H. Laukien, Ph.D.

Title: *President, Chief Executive Officer and Chairman*

We, the undersigned officers and directors of Bruker Corporation, hereby severally constitute and appoint Frank H. Laukien, Ph.D. to sign for us and in our names in the capacities indicated below, the report on Form 10-K filed herewith and any and all amendments to such report, and to file the same, with all exhibits thereto and other documents in connection therewith, in each case, with the Securities and Exchange Commission, and generally to do all such things in our names and on our behalf in our capacities consistent with the provisions of the Securities Act of 1934, as amended, and all requirements of the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ FRANK H. LAUKIEN, PH.D. Frank H. Laukien, Ph.D.	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 17, 2008
/s/ WILLIAM J. KNIGHT William J. Knight	Chief Financial Officer (Principal Financial and Accounting Officer)	March 17, 2008
/s/ DANIEL S. DROSS Daniel S. Dross	Director	March 17, 2008
/s/ COLLIN D'SILVA Collin D'Silva	Director	March 17, 2008
/s/ WOLF-DIETER EMMERICH, PH.D. Wolf-Dieter Emmerich, Ph.D.	Director	March 17, 2008
/s/ BRENDA J. FURLONG Brenda J. Furlong	Director	March 17, 2008

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/s/ TONY W. KELLER, PH.D.

Tony W. Keller, Ph.D.

Director

March 17, 2008

/s/ RICHARD D. KNISS

Richard D. Kniss

Director

March 17, 2008

/s/ DIRK D. LAUKIEN, PH.D

Dirk D. Laukien, Ph.D.

Director

March 17, 2008

/s/ JOERG C. LAUKIEN

Joerg C. Laukien

Director

March 17, 2008

/s/ WILLIAM A. LINTON

William A. Linton

Director

March 17, 2008

/s/ RICHARD A. PACKER

Richard A. Packer

Director

March 17, 2008

/s/ RICHARD M. STEIN

Richard M. Stein

Director

March 17, 2008

/s/ BERNHARD WANGLER

Bernhard Wangler

Director

March 17, 2008