

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934 or Section 30(h) of the Investment Company Act of 1940

| OMB APPROVAL | |
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| 1. Name and Address of Reporting Person* <u>Hudson Leslie</u> (Last) (First) (Middle) 3450 MONTE VILLA PARKWAY, SUITE 101 (Street) BOTHELL WA 98021 (City) (State) (Zip) | 2. Issuer Name and Ticker or Trading Symbol <u>AVI BIOPHARMA INC [AVII]</u> | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable) Director 10% Owner X Officer (give title below) X Other (specify below) Former CEO / Former CEO |
| | 3. Date of Earliest Transaction (Month/Day/Year) 07/06/2010 | |
| | | 6. Individual or Joint/Group Filing (Check Applicable Line) X Form filed by One Reporting Person Form filed by More than One Reporting Person |

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|--------|---|--|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 07/06/2010 | | M ⁽¹⁾ | | 21,089 | A | \$0.92 | 405,648 | D | |
| Common Stock | 07/06/2010 | | S ⁽¹⁾ | | 5,930 | D | \$1.55 | 399,718 | D | |
| Common Stock | 07/06/2010 | | S ⁽¹⁾ | | 2,070 | D | \$1.54 | 397,648 | D | |
| Common Stock | 07/06/2010 | | S ⁽¹⁾ | | 4,800 | D | \$1.49 | 392,848 | D | |
| Common Stock | 07/06/2010 | | S ⁽¹⁾ | | 8,289 | D | \$1.56 | 384,559 | D | |

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Number of derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|--------|--|-----------------|---|----------------------------|--|--|---|--|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | | | |
| Non-Qualified Stock Option (right to buy) | \$0.92 | 07/06/2010 | | M ⁽¹⁾ | | | 21,089 | 02/10/2010 ⁽²⁾ | 02/10/2019 | Common Stock | 21,089 | \$0 | 200,000 | D | |
| Incentive Stock Option (right to buy) | \$1.09 | | | | | | | 02/08/2009 ⁽³⁾ | 02/08/2018 | Common Stock | 366,972 | | 366,972 | D | |
| Incentive Stock Option (right to buy) | \$1.45 | | | | | | | 02/09/2011 ⁽⁴⁾ | 02/09/2020 | Common Stock | 68,965 | | 68,965 | D | |
| Non-Qualified Stock Option (right to buy) | \$1.09 | | | | | | | 02/08/2009 ⁽⁴⁾ | 02/08/2018 | Common Stock | 300,028 | | 300,028 | D | |
| Non-Qualified Stock Option (right to buy) | \$1.45 | | | | | | | 02/09/2011 ⁽⁴⁾ | 02/09/2020 | Common Stock | 531,035 | | 531,035 | D | |

Explanation of Responses:

- This transaction was a Same Day Sale. The optionholder exercised 21,089 non-qualified options and the shares were sold on the same day.
- The original 333,000 option grant vested 1/3 each year over 3 years. On 4/20/2010, the option had 116,667 fully vested shares and the Company approved a vesting acceleration of the remaining 233,333 shares.
- Option Grant vests 25% per year on grant date with all shares vesting four years from date of grant.
- The Stock Option Grant vest as follows: 1/3 vest one year from date of grant and 1/3 each year thereafter until all shares vest three years from grant date.

By: Melinda Miles For: Dr. Leslie Hudson 07/07/2010

** Signature of Reporting Person Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.